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# Economic and Social Council

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**Substantive session of 2006**
Geneva, 3-28 July 2006
Item 7 (d) of the provisional agenda*
**Coordination, programme and other questions: long-term programme of support for Haiti**

## Report of the Economic and Social Council Ad Hoc Advisory Group on Haiti**

*Summary*

In response to Economic and Social Council resolution 2005/46, the present report provides highlights on the situation in Haiti and on international support provided to the country since the substantive session of the Council of 2005. It also elaborates on the promising prospects for assistance in the post-electoral context and makes recommendations thereon addressed to the Haitian authorities and their bilateral and multilateral development partners.

* E/2006/100.

** The report is submitted late in order to provide updated information on the situation in Haiti, including on the electoral process.

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# I. Introduction

1. Following a request made by the Transition Government of Haiti, the Economic and Social Council, in its resolution 2004/52 of 23 July 2004, decided to reactivate the Ad Hoc Advisory Group on Haiti that was established in 1999 to help coordinate the development of a long-term programme of assistance to the country. In its decision 2004/322 of 11 November 2004, the Council appointed the Permanent Representatives of Benin, Brazil, Canada, Chile, Haiti, Spain and Trinidad and Tobago to the United Nations as members of the Group. The President of the Economic and Social Council and the Special Representative of the Secretary-General in Haiti were also invited to take part in its meetings. At its first meeting, on 23 November 2004, the Group decided that Ambassador Allan Rock, Permanent Representative of Canada to the United Nations, would chair the Group.

2. In its report to the Council at its substantive session for 2005 (E/2005/66), the Ad Hoc Advisory Group presented an analysis of the status of the Millennium Development Goals in Haiti and of current international support to the country. It also singled out priority areas for action and long-term development implications. The Group recognized that the new Government to come out of the electoral process would face enormous challenges, while also being able to build on positive developments, such as the creation of the Interim Cooperation Framework and improved macroeconomic performances. It stressed the need for the incoming Government to determine short-, medium- and long-term priorities and for a proper sequencing of activities in order to demonstrate that concrete action is being taken in favour of the poor. Although recognizing that the chief responsibility for long-term development rests in the hands of the Haitian people, the Group elaborated a series of recommendations addressed to the Economic and Social Council, the United Nations system, including the United Nations country team, the Haitian authorities and the donor community.

3. In its resolution 2005/46, the Council extended the mandate of the Group, "with the purpose of following closely and providing advice on Haiti's long-term development strategy to promote socio-economic recovery and stability, with particular attention to the need to ensure coherence and sustainability in international support for Haiti, based on the long-term national development priorities, building upon the Interim Cooperation Framework and stressing the need to avoid overlap and duplication with respect to existing mechanisms". In the same resolution, the Council requested the Ad Hoc Advisory Group to submit a report on its work, with recommendations, as appropriate, before the start of its substantive session of 2006.

# II. Current situation in Haiti

4. At the political level, the two years of transition are drawing to a close and will make way for a President and democratically elected institutions. Sixty-three per cent of the 3.5 million registered voters participated in the first round of the legislative and presidential elections on 7 February 2006, at which Mr. René García Préval was elected President of the Republic, having obtained 51.15 per cent of the vote. The fact that the elections were postponed four times illustrated the slow pace of the preparatory process and the operational arrangements. Delays also occurred during the counting of the votes. Nevertheless, the Group wishes to emphasize the

maturity of the Haitian people and the determination of the Transitional Government and of the officials responsible for organizing the elections, who were largely responsible for the successful outcome of the first round. International assistance, in the form of logistical support and election monitoring, was also useful and effective.

5. The second round of the legislative elections, held on 21 April, was conducted peacefully, barring a few isolated incidents. Participation, estimated at a little over 30 per cent, exceeded the figures recorded at previous elections. The international observers noted the technical and logistical improvements in the organizational arrangements for the election and its smooth conduct. The postponement of the election dates will delay the investiture of President Préval, who must be sworn in before the new Parliament. The local and municipal elections, scheduled for 18 June 2006, will conclude the electoral process.

6. Haiti has witnessed a new wave of violence. In certain densely populated areas of the capital, killings and kidnappings have escalated. The Government and the National Police, supported by the United Nations Stabilization Mission in Haiti (MINUSTAH), have taken steps to counter these incidents which, despite a significant reduction since the beginning of 2006, still occur on occasion. The fight against armed gangs, illegal trafficking and violent crime must remain a priority of the Haitian authorities and international assistance in future. Furthermore, such disarmament, demobilization and reintegration activities as have taken place remain limited in scope.

7. On the socio-economic side, the situation is similar to what the Group described in its report to the Council in 2005. Three quarters of the population live in poverty, with over 50 per cent in extreme poverty, and 80 per cent of the active population does not have regular and remunerative employment. In the 2005 Human Development Index, Haiti ranks 153 out of 177 countries. No new data are available on the status of the Millennium Development Goals in Haiti, and the figures provided last year remain largely valid (see E/2005/66, paras. 16-21). Some basic needs of the population have been satisfied through international assistance. However, because of the lack of appropriate tools, it is difficult to assess the socio-economic impact of this assistance and to measure its concrete results on the living conditions of the population. With widespread misery and an acute environmental crisis, the country continues to be socially and ecologically at risk. Vulnerability is high, as testified by the hurricane and tropical storms that hit the country in 2005, resulting in 30 casualties.

8. Haitian economic stagnation is linked to political instability. The latter has a negative impact on the efficiency of Haitian institutions and on the macroeconomic framework, characterized by persistent inflation and fiscal deficits. According to the International Monetary Fund,[1] economic recovery for the period 2004/05 was below expectations, with real gross domestic product (GDP) growth at 1.5 per cent and consumer price inflation at about 15 per cent. The macroeconomic forecast by the IMF for 2005/06 is based on GDP growth of 2.5 per cent and an inflation rate of between 13 and 14 per cent, an improvement for a country that has not experienced sustained growth over the past 25 years and where the inflation rate was over 30 per cent in 2003. Domestic tax revenues are expected to reach 17.2 billion gourdes (9.3 per cent of GDP), provided that tax and custom law is properly enforced. Since

[1] International Monetary Fund, IMF Country Report No. 05/404, November 2005.

August 2005, the exchange rate has been broadly stable at between 42 and 43 gourdes for 1 United States dollar.

9. In the energy sector, the price of oil imports — oil imports are about 7 per cent of GDP — has contributed to inflationary pressure. From December 2004 to December 2005, the price of one gallon of diesel increased by 31.2 per cent, from 83 gourdes to 109 gourdes, owing to the increase in the price of petroleum products on the international market. Additional pressures come from government transfers to the state-owned electric utility, Electricité d'État d'Haïti, which represented 1 per cent of GDP or 7 per cent of Government expenditures in 2004/05 and are expected to rise further. A mechanism to monitor the Government's transfers to Electricité d'État d'Haïti has been established, with the intent to ensure that transfers are reported and, eventually, audited by an independent firm.

# III. International support to Haiti

10. From September to December 2005, the Core Group met in New York to discuss, inter alia, the preparation and holding of elections in Haiti. Following the request made by the Economic and Social Council in its resolution 2004/52 to avoid overlap and duplication with respect to existing mechanisms, the Ad Hoc Advisory Group did not meet during that period. However, in the first quarter of 2006, the Group interacted with Haitian development actors and their international counterparts.

11. In January 2006, the Group held a meeting with Robert Jean, Director General, Ministry of Planning and External Cooperation of Haiti; Caroline Anstey, Country Director for the Caribbean, the World Bank; and Enrique Ganuza, Senior Economist, Regional Bureau for Latin America and the Caribbean of the United Nations Development Programme (UNDP). In March 2006, the Group met with Roland Pierre, Minister of Planning and External Cooperation of Haiti, and with members of the strategic think tank set up by the Prime Minister of Haiti and linked to the Ministry of Planning and External Cooperation to determine strategic orientations for the long-term development of the country.[2] At these meetings, key challenges of current international support to Haiti were discussed, as well as prospects for future assistance.

## A. Current support

12. The United Nations Stabilization Mission in Haiti (MINUSTAH) has played an essential role in providing security and stability to the country and in supporting the Haitian National Police in its operations and its reform and restructuring process. In preparing the elections, MINUSTAH provided technical and logistical support, which proved essential for the distribution of electoral material. It also continued to enhance Haitian institutions' governance capacity by facilitating the development and implementation of local projects through the quick-impact projects mechanism.

[2] Members of the strategic think tank that the Group met were Paul-Emile Simon, Architect and Urban Planner, First Under-Secretary-General of the Conseil des sages; Gabriel Verret, Expert in Public Finances, Adviser for macroeconomic issues to the Minister of Economy and Finance; and Wilfrid Trenard, Permanent Secretary of the strategic think tank.

MINUSTAH contributed to setting up the institutional framework for disarmament, demobilization and reintegration, which has started to give results, and helped establish community violence reduction and development committees.

13. During the period under review, the fulfilment of commitments of international donors under the Interim Cooperation Framework has improved. As of end December 2005, US$ 750 million had been disbursed, representing 69.1 per cent of the original pledges made at the donors conference held in Washington in July 2004 (see table attached as an annex to the present report). The Framework aims at facilitating the transition and creating the groundwork for longer term development. As it is a comprehensive assessment of the needs of Haiti, with clear objectives and commitments by national and international actors, it has contributed to greater coherence among donors and improved monitoring and measurement of results achieved. Under the Framework, hundreds of projects have been implemented in such areas as access to basic services, governance and infrastructure.

14. The Director General of the Ministry of Planning and Cooperation explained to the Group that "scores" for the accomplishment of the objectives set in the Framework had been developed and attributed. The breakdown of accomplishments was unequal, with higher scores for the promotion of economic recovery. Some of the sectoral coordination tables, the main mechanism for overseeing the process, have quickly identified and monitored the implementation of projects (such as those on education, food security and rural development, and energy), while others have functioned with many difficulties. The obstacles encountered in fulfilling the commitments made mostly relate to t. · lack of institutional capacity. Disbursements have also been hampered by the complex and diverse procedures of donors. This situation calls for international partners to invest in institutional capacity-building to allow ministries to function properly. The United Nations agencies that have been designated focal points within given sectoral tables have played an important role in requiring placement of financial, material and human resources at the disposal of the lead national institution.

15. An international conference on Haiti was held in Brussels on 21 October 2005, with the objectives of strengthening the cooperation framework between Haiti and donors, consolidating what has been achieved during the transition period and considering how to pursue, with the incoming Government, the work carried out under the Interim Cooperation Framework over the medium and long term. The conference gathered representatives of the Transition Government of Haiti, donors, United Nations and other regional stakeholders, civil society and the business sector, including, for the first time, the Haitian private sector. The main outcome of the conference was the extension of the mandate of the Framework until the end of 2007, in order to leave enough time and means to the new Government to pursue reforms while avoiding interruption of the provision of development support. The conference also recommended that the Framework mechanisms be sustained and strengthened. At the strategic level, it was recommended that its joint steering committee become a political organ with a clear decision-making and policy-formulation role in order to improve aid coordination and accelerate disbursements.[3]

16. Another important development is the well-advanced preparation of the interim Poverty Reduction Strategy Paper (PRSP) by the national authorities of

[3] Brussels International Conference on Haiti, 21 October 2005 — joint statement.

Haiti. The document includes a profile of poverty in Haiti, the current framework and a strategy for poverty reduction, as well as a time frame for the elaboration of the final PRSP and the description of the participatory process that will be put in place. The interim PRSP, built on the Interim Cooperation Framework, is one of the conditions to unlock new resources under the Poverty Reduction and Growth Facility, and facilitates access to debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative. Until now, the IMF has supported the authorities with two successive emergency post-conflict assistance programmes covering the period October 2004 to March 2006.

17. In a report dated 11 April 2006, the International Monetary Fund and the World Bank identified Haiti as one of 11 countries that could qualify for debt relief under a new round of the HIPC Initiative. Eligibility for the Initiative requires that debt burden indicators are above certain thresholds of sustainability. Qualification for debt relief (decision point) will require a satisfactory track record of performance and the preparation of a poverty reduction strategy. The matter is to be further discussed by the Boards of the two institutions.

## B. Prospects for future support

18. A senior officials' donor meeting held on 21 February 2006, in Washington, D.C., offered an early opportunity to send positive signals of the commitment of the international community to work with the newly elected authorities in support of the Haitian people. At that meeting, donors proposed to discuss with the new authorities the preparation of a joint Haitian Government-donors stocktaking of the Interim Cooperation Framework and to prepare an independent and integrated evaluation of it that would provide input for the elaboration of the national poverty reduction strategy.[4]

19. The new Government will have the task of finalizing and endorsing the interim PRSP and preparing a full PRSP, which should allow for deeper economic reform while helping to soften the effects of structural adjustment plans. Minister Roland Pierre informed the Group that, in order not to lose time and after consultations with the newly elected President and his advisers, it had been decided to start work on the elaboration of the full PRSP with no further delay.

20. Representatives of the World Bank and UNDP stressed to the Group that the PRSP should be a truly participatory development strategy, with the full involvement of the private sector and civil society, and should be Haitian-led. Sufficient time, estimated at between 18 and 24 months, should therefore be left to undertake the necessary consultations. Among United Nations agencies, UNDP and the Economic Commission for Latin America and the Caribbean are providing support for the formulation of the strategy. The World Bank and UNDP interlocutors of the Group also underlined the fact that the new Government would need additional funding, channelled through the Haitian budget, in order to strengthen national capacities. In this context, the Group is encouraged to note that a high-level ministerial meeting will be held on 23 May 2006 in Brasilia and that a donor conference and pledging session is planned in Port-au-Prince in July 2006. The

[4] See World Bank press release No. 2006/278/LCR, 21 February 2006.

Government of Spain has also offered to host another donor conference later in 2006.

21. Development partners are elaborating their post-electoral strategy of support to Haiti. The United Nations country team has formulated a multidimensional institutional support strategy for post-electoral stabilization around four major types of activities: (a) quick-impact projects and access to basic services; (b) institutional capacity-building (strengthening of Parliament, the establishment of the Conseil électoral permanent, the rule of law and legal reform (including justice, human rights and police) and local governance); (c) national dialogue; and (d) support to the elaboration of a national poverty reduction strategy. These efforts focus on a growing synergy among development actors in order to reach a more coherent and unified approach to international support to Haiti.

22. In a letter dated 6 January 2006 addressed to the President of the Economic and Social Council, Roland Pierre, Minister of Planning and External Cooperation of Haiti, announced the establishment of a strategic think tank, aimed at working at the technical level on a long-term development plan for the country, in partnership with the Economic and Social Council Ad Hoc Advisory Group on Haiti and other actors. This initiative echoes the observations made by the Group in its report to the Council (E/2005/66) that no medium- or long-term vision of Haiti's development had ever been elaborated and that fundamental work needed to be done in that respect.

23. At the meeting of the Group in New York, the Minister stressed that the general aim of this think tank, which was established by the Prime Minister and attached to the Ministry of Planning and External Cooperation, is to arrive at a broader, original and innovative vision of the country's long-term development. It will then seek to translate that vision into reality by elaborating a national strategy to combat poverty. The five experts on the think tank, assisted by a permanent secretary, have no hierarchical link to the authorities, which is illustrative of the open and participatory approach that should prevail in the elaboration of development strategies. The think tank, whose first meeting was held last December, has drawn up its terms of reference.[5] These may change, as may the composition of the membership, in accordance with the new Government's vision.

24. For the Haitian authorities, the strategic think tank is a natural interlocutor of the Ad Hoc Advisory Group of the Economic and Social Council, whose task is precisely to make recommendations on the assistance to be provided to ensure the country's long-term development. The unit will transmit observations and information to the Group in its role of facilitating assistance and mainstreaming peace and development.

## IV. Conclusions and recommendations

25. **The Group is encouraged by the evolution of the situation and calls on all national stakeholders to continue efforts to successfully conclude the election process. The Group also calls on international stakeholders to provide support in this regard. The Group looks forward to working with the new Government**

[5] Ministry of Planning and External Cooperation, strategic think tank, terms of reference, February 2006, p. 7.

by following closely and providing advice on the long-term development that the country deeply needs to reach stability.

26. In this context, it is imperative that Haiti remain on the international agenda and that appropriate support be given through the Interim Cooperation Framework, which has been extended by the Brussels international conference until the end of 2007, while a national poverty reduction strategy is prepared.

27. When the new Government is in place, sustained support will be needed to enhance its capacity to define the national poverty reduction strategy and elaborate and implement appropriate policies accordingly. The post-electoral stabilization strategy of the United Nations, including quick-impact projects, will be important in that respect. The Haitian authorities and their development partners should also take all necessary measures to ensure a smooth transition and avoid any interruption in development support. The Group reiterates the recommendations addressed to donors contained in its report to the Council in 2005 (E/2005/66), and stresses the need to ensure coherence of donor support by bringing all actors behind a Haitian-led process.

28. The Group welcomes the work carried out to date in preparing the ground for a poverty reduction strategy and encourages the new Government to give priority to continuing the consultation and planning process. It notes the creation of the strategic think tank by the interim Government and its potential contributions. Once the Poverty Reduction Strategy Paper is finalized, donors and other international actors should be mobilized to increase support.

29. The Group welcomes recent recommendations by the Bretton Woods institutions concerning debt relief and access by Haiti to the HIPC Initiative and encourages them to take appropriate further decisions in that direction.

30. The Ad Hoc Advisory Group will provide additional information, as appropriate, to the Council during the consideration of the item at the substantive session of the Council in July 2006. If the Government of Haiti so requests, the Group will recommend that the Council extend its mandate until the substantive session of 2007, in order to accompany the new Government, at this very crucial time, in the promotion of a long-term development strategy aimed at ensuring socio-economic recovery and political stability and to provide recommendations thereon.

## Annex

## Status of disbursements — Interim Cooperation Framework (ICF)

### December 2005 (Strategic Coordination Unit, Office of the Prime Minister)

| (US$ million) | Inter-American Development Bank | World Bank | Canada[2] | European Commission | United Nations agencies[3] | United States of America | France | Japan | Total | % | Pledge 2004 (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Political governance | | | 26.00 | 11.67 | 11.50 | 48.28 | 1.40 | 1.06 | 99.91 | 13.3 | 96.8 |
| 1.1 Security, police and disarmament, demobilization and reintegration | | | 2.00 | | 2.60 | 24.40 | 0.50 | | 29.50 | 3.9 | |
| 1.2 Justice, prisons and human rights | | | 7.00 | 0.39 | 2.70 | 12.13 | 0.90 | | 23.12 | 3.1 | |
| 1.3 Electoral process and national dialogue | | | 17.00 | 11.29 | 6.20 | 11.75 | | 1.06 | 47.30 | 6.3 | |
| 2. Economic governance | 51.82 | 47.80 | 7.00 | 4.25 | 5.40 | 23.29 | 0.98 | 0.73 | 141.27 | 18.8 | 91.2 |
| 2.1 Economic governance | 39.72 | 46.80 | | | 0.60 | | 0.10 | 0.64 | 87.86 | 11.7 | |
| 2.2 Institutional capacity-building | | 1.00 | 4.00 | 1.66 | 2.00 | 19.54 | 0.06 | | 28.26 | 3.8 | |
| 2.3 Land-use planning | | | | | | 1.25 | | | 1.25 | 0.2 | |
| 2.4 Local development | 12.10 | | 3.00 | 2.59 | 2.80 | 1.25 | 0.81 | 0.09 | 22.65 | 3.0 | |
| 2.5 Decentralization | | | | | | 1.25 | | | 1.25 | 0.2 | |
| 3. Economic recovery | 23.48 | 2.50 | 3.00 | 21.11 | 2.10 | 31.40 | 4.86 | 0.44 | 88.90 | 11.9 | 37.5 |
| 3.1 Macroeconomic stability | 0.05 | | | | | | | | 0.05 | 0.0 | |
| 3.2 Electricity | | | 1.00 | 0.17 | | 21.00 | 0.45 | | 22.62 | 3.0 | |
| 3.3 Quick job creation and microfinance | | 1.00 | 2.00 | 0.12 | | 3.39 | 0.22 | | 6.73 | 0.9 | |
| 3.4 Private sector development/ SME/SMI | | | | | | 3.35 | | | 3.35 | 0.4 | |
| 3.5 Agriculture | 10.20 | | | 7.76 | 0.90 | 3.66 | 4.17 | 0.44 | 27.13 | 3.6 | |
| 3.6 Roads and transport | 13.12 | | | 9.50 | 0.10 | | 0.02 | | 22.74 | 3.0 | |
| 3.7 Protection and rehabilitation of the environment | 0.11 | 1.50 | | 3.57 | 1.10 | | | | 6.28 | 0.8 | |
| 4. Access to basic services | 15.15 | 4.59 | 46.00 | 64.87 | 58.20 | 174.96 | 12.23 | 10.70 | 386.70 | 51.6 | 108.3 |
| 4.1 Emergency humanitarian assistance | | | 9.00 | 12.85 | 17.50 | 39.03 | 1.05 | 0.61 | 80.04 | 10.7 | |
| 4.2 Water and sanitation | 4.88 | 0.12 | | 40.12 | | 0.50 | 1.05 | | 46.67 | 6.2 | |
| 4.3 Health and nutrition | 2.68 | 1.20 | 21.00 | 0.34 | 16.60 | 63.24 | 3.26 | 4.15 | 112.47 | 15.0 | |

| (US$ million) | Inter-American Development Bank | World Bank | Canada[b] | European Commission | United Nations agencies[c] | United States of America | France | Japan | Total | % | Pledge 2004 (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 4.4 Education, youth and sports | 4.79 | 0.99 | 16.00 | 9.32 | 18.00 | 5.35 | 4.49 | 0.49 | 59.43 | 7.9 | |
| 4.5 Culture, media and communication | | | | 0.26 | 0.80 | | 1.14 | | 2.20 | 0.3 | |
| 4.6 Food security | | | | 1.99 | 4.70 | 63.16 | 1.20 | 5.45 | 76.50 | 10.2 | |
| 4.7 Solid waste management | | 0.18 | | | | 3.68 | | | 3.86 | 0.5 | |
| 4.8 Urban development/slum improvement | 2.80 | 2.10 | | | | | | | 4.90 | 0.7 | |
| 4.9 Safety nets and social protection | | | | | 0.60 | | 0.04 | | 0.64 | 0.1 | |
| 5. Other rubrics | 5.07 | 0.53 | 15.00 | 9.60 | 2.40 | | | 0.24 | 32.84 | 4.4 | 14.1 |
| 5.0 Other programmes | | 0.53 | 15.00 | | | | | | 15.53 | 2.1 | |
| 5.1 Technical assistance | | | | | 1.20 | | | 0.24 | 1.44 | 0.2 | |
| 5.2 Payment of arrears | | | | | | | | | | | |
| 5.3 Basic economic infrastructure | 5.07 | | | | 0.20 | | | | 5.27 | 0.7 | |
| 5.4 Unallocated | | | | 9.60 | 1.00 | | | | 10.60 | 1.4 | |
| **Grand total** | **95.52** | **55.42** | **97.00** | **111.51** | **79.60** | **277.93** | **19.47** | **13.17** | **749.61** | **100.0** | **69.1** |
| % | 12.7 | 7.4 | 12.9 | 14.9 | 10.6 | 37.1 | 2.6 | 1.8 | 100.0 | | |
| Planned disbursements 2004/2006[d] | — | 42.1 | — | — | — | 428.8 | — | — | 470.90 | | |
| Difference/Planned — Actual | — | 13.3 | — | — | — | (150.9) | — | — | 278.7 | | |

[a] Disbursement: Amounts available to cover withdrawals of funds or to execute payments on order of executing agency.

[b] The grand total of disbursements dropped from $782.6 million (in the provisional version of this table) to $749.6 million, owing to a downward adjustment to the total amount of Canada's disbursements as at 31 December 2005 (from $130 million pledged in Washington, D.C. to $97 million).

[c] United Nations agencies concerned: UNFPA, UNICEF, FAO, WFP, UNOPS, UNDP.

[d] All forecasts of disbursements are not yet available for the period 2004/2006.

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**Coordination, programme and other questions: long-term programme of support for Haiti**

## Report of the Economic and Social Council Ad Hoc Advisory Group on Haiti

**Corrigendum**

In the masthead of document E/2006/69, the date *should read* 11 May 2006

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# Economic and Social Council

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**Substantive session of 2006**
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**Adoption of the agenda and other organizational matters**

## Convention on the Privileges and Immunities of the Specialized Agencies: draft annex relating to the World Tourism Organization

### Note by the Secretary-General

1. The World Tourism Organization became a specialized agency on 23 December 2003 when the General Assembly, by resolution 58/232, approved the Agreement between the United Nations and the World Tourism Organization, which had previously been approved by the Economic and Social Council by its resolution 2003/2 of 10 July 2003.

2. By resolution 179 (II) of 21 November 1947, the General Assembly approved the Convention on the Privileges and Immunities of the Specialized Agencies and submitted it to the specialized agencies for acceptance and to every Member of the United Nations and to every other State member of one or more of the specialized agencies for accession. The main purpose of the Convention was to harmonize the privileges and immunities enjoyed by the United Nations and the various specialized agencies.

3. Section 35 of the Convention provides that the Secretary-General of the United Nations shall transmit to each newly established specialized agency a draft annex recommended by the Economic and Social Council, by which the standard clauses of the Convention are modified as appropriate for that agency. Under section 36, the final text of the annex shall be that approved by the specialized agency itself in accordance with its constitutional procedure.

4. In view of the fact that the General Assembly of the World Tourism Organization meets only every two years and its last session was held in December 2005, the General Assembly of the World Tourism Organization seeks to obtain approval of the draft annex by the Economic and Social Council prior to its session in 2007.

* E/2006/100.

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5. By its resolution 489 (XVI) of 2 December 2005, the General Assembly of the World Tourism Organization accepted the Convention on the Privileges and Immunities of the Specialized Agencies as applied to itself. That resolution, along with a draft annex outlining the privileges and immunities of the organization, is transmitted in the communication from the Secretary-General of the World Tourism Organization to the Secretary-General of the United Nations, which is attached to the present note.

6. It should be noted that this draft annex, which closely follows the annexes of other specialized agencies, was prepared by the Office of Legal Affairs of the United Nations Secretariat, in close consultation with the Legal Counsel of the World Tourism Organization, and is presented to the Economic and Social Council for its approval.

7. The Secretary-General therefore suggests that the Council take note of the attached resolution of the General Assembly of WTO (resolution 489 (XVI)) and approve the draft annex to the Convention on the Privileges and Immunities of the Specialized Agencies with respect to the World Tourism Organization.

## Resolution 489 (XVI) adopted by the General Assembly of the World Tourism Organization on 2 December 2005 at its sixteenth session

[Original: English and French]

**Cooperation with the United Nations system**

**Acceptance of the Convention on the Privileges and Immunities of the Specialized Agencies**

*The General Assembly*,

*Having taken cognizance* of the report of the Secretary-General and of the attached documents on the acceptance of the Convention on the Privileges and Immunities of the Specialized Agencies of the United Nations of 21 November 1947,

*Considering* that the process of the World Tourism Organization's conversion into a specialized agency completed in 2003 has made the WTO into a fully-fledged organization of the United Nations system and that acceptance of the Convention by the WTO will enable the Organization to benefit from its provisions and will effectively complete the provisions of the Statutes relative to the privileges and immunities it enjoys,

*Noting*, further, that such acceptance will not undermine the system of privileges and immunities provided for in the agreements already concluded between the Organization and Spain,

1. *Approves* the draft annex to the Convention reproduced in the annex to the present resolution;

2. *Requests* the Secretary-General to proceed with the necessary formalities for the definitive approval of the standard clauses of the Convention and of its annex, in cooperation with the Legal Adviser of the Organization;

3. *Entrusts* the Executive Council with authorizing the Secretary-General on its behalf to definitively approve the text of the annex after its formal adoption by the Economic and Social Council of the United Nations;

4. *Requests* the Secretary-General to report to it on the completion of these formalities at its next session.

## Annex

### World Tourism Organization

In their application to the World Tourism Organization (hereinafter referred to as "the Organization"), the standard clauses shall operate subject to the following modifications:

1. Article V and section 25, paragraphs 1 and 2 (l), of article VII of the Convention shall extend to the representatives of Associate Members participating in the work of the Organization in accordance with the Statutes of the World Tourism Organization (hereinafter referred to as "the Statutes").

2. Representatives of Affiliate Members participating in the activities of the Organization in accordance with the Statutes, as well as the Chairpersons and members of the Strategic Group of the Organization, and of the World Committee on Tourism Ethics shall be granted the following privileges, immunities and facilities, in order to safeguard the independent exercise of their official functions:

(a) In respect of words spoken or written and acts done by them in the performance of their official functions, immunity from legal process of every kind, such immunity to continue notwithstanding that the persons concerned are no longer exercising the activities of the Organization;

(b) Applications for visas, where required and when accompanied by a certificate that they are travelling on the business of the Organization, shall be dealt with as speedily as possible. In addition, such persons shall be granted facilities for speedy travel;

(c) In connection with subparagraph (b) above, the principle contained in the last sentence of section 12 of the standard clauses shall apply;

(d) Immunity from legal process as referred to in subparagraph (a) above is granted to representatives of Affiliate Members, as well as to the Chairpersons and members of the Strategic Group of the Organization and of the Committee on Tourism Ethics in the interests of the Organization and not for the personal benefit of the individuals themselves. The Secretary-General of the Organization shall have the right and the duty to waive the immunity of any such individual in any case where in his/her opinion the immunity would impede the course of justice, and can be waived without prejudice to the interests of the Organization.

3. Experts, other than officials coming within the scope of article VI of the Convention, serving on organs and bodies of, or performing missions for, the Organization shall be accorded such privileges and immunities as are necessary for the independent and effective exercise of their functions, including the time spent on journeys in connection with service on organs and bodies or missions. In particular they shall be accorded:

(a) Immunity from personal arrest or seizure of their personal baggage;

(b) In respect of words spoken or written or acts done by them in the performance of their official functions, immunity from legal process of every kind, such immunity to continue notwithstanding that the persons concerned are no longer serving on organs and bodies of, or employed on mission for, the Organization;

(c) Inviolability for all papers and documents relating to the work on which they are engaged for the Organization;

(d) For the purpose of their communications with the Organization, the right to use codes and to receive papers or correspondence by courier or in sealed bags;

(e) The same facilities in respect of currency and exchange restrictions and in respect of their personal baggage as are accorded to officials of foreign Governments on temporary official missions.

4. Privileges and immunities are granted to the experts in the interests of the Organization and not for the personal benefit of the individuals themselves. The Secretary-General of the Organization shall have the right and the duty to waive the immunity of any expert in any case where, in his/her opinion, the immunity would impede the course of justice and it can be waived without prejudice to the interests of the Organization.

5. The privileges and immunities, exemptions and facilities referred to in section 21 of the standard clauses shall also be accorded to the Deputy Secretary-General of the Organization, his/her spouse and minor children.

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## Coordinated implementation of the Habitat Agenda

### Report of the Secretary-General

*Summary*

The United Nations Human Settlements Programme (UN-Habitat) is deeply committed to supporting the efforts of Member States and the international community in the coordinated implementation of the Habitat Agenda, the Declaration on Cities and Other Human Settlements and Millennium Development Goal 7, to ensure environmental sustainability, and its targets 10 and 11, which call for the reduction by half of the proportion of people without sustainable access to safe drinking water by 2015 and the achievement of significant improvement in the lives of at least 100 million slum-dwellers by 2020.

Since the 2005 World Summit, UN-Habitat has been realigning and readjusting its work in order to provide Member States with a more integrated and cohesive approach to monitoring, policy development, capacity-building and the mobilizing of investment in affordable housing and sustainable urban development, an approach designed to enhance aid effectiveness and going to scale processes by combining the organization's core competencies in support of institutional and policy reform and urban governance with longer-term investment by domestic and international financial institutions. While the approach is enabling UN-Habitat to improve coordination and develop more cohesive and innovative responses to the explosive formation of slums and the widespread lack of access to water and sanitation by the urban poor, the present report highlights the urgent need for Governments and the international community to mainstream the urban agenda at the global, national and local levels and in their respective development assistance frameworks.

* E/2006/100.

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# I. Introduction

1. The present report was prepared pursuant to paragraph (c) of Economic and Social Council decision 2005/298. It summarizes the key outcomes and activities undertaken by the United Nations Human Settlements Programme (UN-Habitat) and its partners in the coordinated implementation of the Habitat Agenda. A major thrust of the present report is to highlight the new strategic approach to meeting the goals of the Habitat Agenda in the light of several recommendations of the 2005 World Summit Outcome.[1] Recommendations of particular relevance to the implementation of the Habitat Agenda include global partnerships for development, domestic resource mobilization and investment, gender equality and empowerment of women, peacebuilding and the participation of local authorities, the private sector and civil society.

# II. Matching global commitments with the Habitat Agenda: emerging awareness and response

2. The international community recognized the urgency of responding to the urban challenge in adopting the Habitat Agenda in 1996, containing the global plan of action for "adequate shelter for all" and "sustainable human settlements" in an urbanizing world. These goals were further translated into specific targets on slum improvement and water and sanitation as part of the Millennium Declaration and the Johannesburg Plan of Implementation. While those targets provide quantifiable outcomes and a timeline for improving the living conditions of existing slum-dwellers, in the 2005 World Summit Outcome the General Assembly recognized the need to tackle causal factors by calling for concerted measures to prevent the future formation of slums.

### Coming to terms with rapid urbanization at the national level

3. Despite growing awareness and commitment at the global level, progress at the country level needs to be greatly accelerated to meet Goal 7, targets 10 and 11, and paragraph 56 (*m*), of the World Summit Outcomes, in a timely manner, for the following reasons:

(a) Until relatively recently, most developing countries underestimated the consequences of rapid urbanization. As a result, slums and squatter settlements have proliferated under the assumptions that investing in rural development can arrest urbanization and that slum-dwellers would graduate to the formal housing sector over time. Both assumptions have proven to be erroneous. Decades of neglect have resulted in the explosion of slums and the informal economy, leading to precarious living and working conditions, poor health and security, environmental degradation and social exclusion;

(b) Investments in urban infrastructure and services lag far behind demographic growth and the physical expansion of towns and cities. An analysis of national development plans, poverty reduction strategies and multilateral and bilateral assistance frameworks reveals that urban development and urban poverty are often overlooked or ranked among the lowest in terms of budgetary allocations;

[1] See General Assembly resolution 60/1.

(c) The lack of financial and technical capacity in many developing countries remains a severe constraint and bottleneck. This is particularly the case with urban local authorities that have the direct responsibility for the management of cities. Recent attempts at decentralization have rarely been accompanied by the allocation of human, managerial and financial resources commensurate to the challenges of rapid urbanization. As a result, many local authorities are ill-equipped to engage in strategic urban planning, local economic development and pro-poor capital investment.

4. The situation has compelled UN-Habitat to develop a new strategic approach in order to mobilize, guide and coordinate a more effective and cohesive response at the national and international levels. That new approach is being developed in close coordination and collaboration with, inter alia, the Executive Committee on Economic and Social Affairs and the United Nations Development Group.

# III. Progress in programme implementation

## A. A strategic approach in support of sustainable urbanization

5. The response of UN-Habitat to the crisis of rapid and unplanned urbanization consists of an increasingly integrated approach to global monitoring and advocacy, policy development, capacity-building and financing for the development of sustainable human settlements. The objectives of this approach are to: mainstream urbanization and the urban poverty agenda at the global and national levels; strengthen the capacity of national Governments and local authorities to adopt and implement pro-poor gender-sensitive and environmentally sound slum upgrading and water and sanitation policies and strategies; and promote innovative financing mechanisms for pro-poor housing and urban development to help prevent the future growth of slums.

## B. Global monitoring and advocacy in support of shelter for all and Millennium Development Goal 7, target 11

### Monitoring and reporting

6. A key challenge facing the implementation of the Habitat Agenda is the scarcity of disaggregated data at the urban and suburban levels, especially in rapidly urbanizing countries. Conventional data collection and national-level reporting methods tend to obfuscate the true extent of urban poverty and slum formation, resulting in low priority being accorded to urban development and urban poverty reduction in national development plans and international assistance strategies. This situation has led UN-Habitat to mainstream the collection and analysis of urban data at the global level and to strengthen national and local capacities to do so.

7. Major breakthroughs have been achieved in establishing strategic partnerships at the global and national levels in the monitoring of slum formation, urban poverty and deprivation, as well as in assessing gender issues in water and sanitation. Key partners at the global level include the Department for International Development, the United States Agency for International Development, the World Bank, the Cities Alliance initiative, the Statistical Division of the United Nations Secretariat, the

United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF). At the regional level, a rapid gender assessment methodology for water and sanitation was developed and applied in 18 countries in Africa and Asia. At the national level, 22 national urban observatories and 125 local urban observatories have been established with the assistance of UN-Habitat throughout Africa, Asia, Europe and Latin America. The outcomes of these coordinated efforts include: (a) a commonly agreed definition for slums endorsed by the Inter-Agency and Expert Group on Millennium Development Goal Indicators; and (b) the introduction of new methods for data collection and analysis. A further step was also taken in 2006 in mainstreaming gender considerations in the area of pro-poor water and sanitation through rapid gender assessments in 18 countries in Africa and Asia. The new assessment methods are making inroads in changing conventional monitoring and reporting to provide disaggregated and gender-sensitive data and analysis of urban poverty and deprivation at the city and intra-city levels. Results to date include new statistical evidence in the form of Habitat Agenda indicators on the magnitude of slums, slum formation and urban poverty. This evidence was reported for the first time in the UN-Habitat *Global Report on Human Settlements 2003* and further refined and expounded in the *State of the World's Cities 2006/2007*. Similarly, at the fourth World Water Forum, UN-Habitat presented the second edition of its global report on *Water and Sanitation in the World's Cities*, which focuses on the specific needs of secondary towns in developing countries where urban growth rates are among the most rapid in the world. An extract of the report and its main findings form the chapter on urbanization in the *World Water Development Report* produced by UN-Water.

**The urbanization of poverty**

8. The above reports conclude that the urbanization of poverty is one of the most daunting challenges of the twenty-first century, with an estimated one billion people currently living in slums in cities throughout most of the developing world. Projections show that this figure could easily reach two billion by 2030 unless urgent action is taken to improve the living conditions of existing slum-dwellers and to prevent the formation of new slums. Surveys also show that the combination of high-density occupation and the lack of predictable income and access to decent shelter, water and sanitation render the urban poor as vulnerable as their rural counterparts to poor health, disease and malnutrition. In many cases, the urban poor are also less resilient, as they depend on monetary means to access shelter, food, energy, water, health and education. Another major conclusion of the reports was that the implementation of the Habitat Agenda and the attainment of the internationally agreed development goals, including Millennium Development Goal 7, targets 10 and 11, will require robust and concerted action by national Governments and the international community working together with local authorities and poor urban communities.

**Advocacy, knowledge management and the exchange of best practices**

9. The above-mentioned findings have helped put urban issues on the international reporting and development agenda, which had previously focused largely on issues of rural poverty. In monitoring and reporting terms, the United Nations Statistical Commission has made human settlements statistics a major concern. Collaborative efforts between UN-Habitat, the Commission and UNFPA

have resulted in the inclusion, for the first time, of data collection on issues pertaining to the Habitat Agenda goals for the 2010 Population and Housing Census Programme. Similarly, collaborative efforts with the United States Agency for International Development and UNICEF have resulted in the incorporation of relevant survey questions in their respective monitoring instruments, including the demographic and health survey and the multiple indicator cluster surveys. In terms of development agendas, the findings have prompted a number of agencies, bilateral donors and international financial institutions to enlarge their focus and include urban issues and urban poverty in their respective development programmes.

10. At the intergovernmental level, the African Union and the New Partnership for Africa's Development (NEPAD) have provided strong leadership with robust support from Africa's bilateral and multilateral development partners. The African Development Bank, with support from UN-Habitat, reviewed its draft strategy for the urban sector. The African Ministerial Conference on Housing and Urban Development, held in Durban, South Africa, from 31 January to 4 February 2005, held a special session in Nairobi on 3 and 4 April 2006 devoted to the attainment of the Millennium Development Goals. Preparations for the first Asian and Pacific Ministerial Conference on Housing and Urban Development are under way; the conference is expected to be held during the third quarter of 2006.

11. At the global level, two international conferences were held in 2005 in collaboration with national Governments, local authorities and civil society organizations in support of knowledge management and the exchange of lessons learned from successful initiatives in attaining internationally agreed development goals. Partnerships with the cities of Medellin, Colombia, and Seville, Spain, have enabled UN-Habitat to provide value-added services in support of the transfer of best practices and more effective North-South and South-South cooperation, as called for by paragraph 40 of the 2005 World Summit Outcome. Preparations for holding the third session of the World Urban Forum, in partnership with the Government of Canada, in June 2006 in Vancouver, were well under way at the time of reporting. That non-legislative conference will serve as an open forum for the exchange of knowledge, expertise and lessons learned from experience in raising awareness of the issues of urbanization and in informing and advising the Executive Director of UN-Habitat in furthering the implementation of the Habitat Agenda. The 2006 session will be devoted to "Sustainable cities: turning ideas into action" and is expected to attract over 6,000 representatives of Governments, local authorities, civil society and non-governmental organizations.

## C. Policy development

12. Policy development activities coordinated by UN-Habitat continue to be spearheaded by its twin global campaigns on urban governance and secure tenure. These activities are informed by applied research, lessons learned from best practices and consultations with key stakeholder groups. They focus on the commonly defined priority issues of urban economics and finance; land tenure and administration; urban governance, including decentralization and the empowerment of local authorities; and urban safety and security, including youth at risk. Gender equality and the empowerment of women are at the core of and are mainstreamed throughout all activities.

**Urban finance and local economic development**

13. Activities led by UN-Habitat in the area of urban economics and finance are aimed at identifying and assessing policy options and developing innovative tools and instruments for strengthening the capacity of Governments and local authorities to mobilize resources for financing urban infrastructure and services and to stimulate urban economic development for job creation and poverty reduction. Such activities are conducted in collaboration with a global network of research institutes, the World Bank, the Asian Development Bank, the Inter-American Development Bank and the Economic Commission for Latin America and the Caribbean and are widely disseminated through publications and international forums. Similarly, work continued in 2005 and 2006 following the successful launch of an interregional conference on strategies for enhancing an urban-rural linkage approach to development and promotion of local economic development, with country-level activities initiated in the Lao People's Democratic Republic and Nepal. Activities combine human settlements planning and infrastructure development to reinforce the role of urban centres as marketplaces for rural and agricultural production while improving services to rural areas to help make globalization work.

14. *Financing Urban Shelter: Global Report on Human Settlements 2005* constitutes a state-of-the-art review of pro-poor gender-sensitive urban economic and finance policies and strategies. Both the report and findings of specialized studies are helping to define the collaborative work of UN-Habitat with international and domestic financing institutions on mobilizing foreign and domestic investment to help Member States to meet Goal 7, target 11, of the Millennium Development Goals on slum upgrading and to invest in pro-poor housing and urban development to prevent the future formation of slums, as called for in the 2005 World Summit Outcome.

**Pro-poor land tenure, property administration and housing rights**

15. The Habitat Agenda identifies land tenure as one of the critical areas in which more enabling policies and rights-based legislation are required to meet the housing and basic needs of the poor. While UN-Habitat has continued to work on the progressive realization of housing as a human right in close collaboration with the Office of the United Nations High Commissioner for Human Rights (OHCHR) and various non-governmental and civil society organizations, a major new development was the establishment of the Global Land Tool Network in 2005 to strengthen the capacity of Governments and local authorities to adopt and apply pro-poor, gender-sensitive land tools in support of Millennium Development Goal 7, target 11.

16. Key areas of focus include land taxation, land information and land administration, management and planning. Policy guidelines and publications have been produced based on the analysis of land law reform and property administration issues in selected countries in Africa and Latin America, in the Balkan States and in countries where Islamic land law is practised. Pioneering work has been undertaken by the Network in the area of women's property, land and inheritance rights, which are of particular relevance to Millennium Development Goal 3 on women's empowerment and paragraph 58 of the World Summit Outcome on women's property and inheritance rights. The Network represents a collaborative effort between multilateral institutions including the World Bank, the Food and Agriculture Organization of the United Nations (FAO) and the United Nations

regional commissions, bilateral donor agencies, research organizations and professional associations. High-profile multi-stakeholder meetings were held in Africa, in Arab States and countries of the Commonwealth of Independent States (CIS) to disseminate new and improved land tenure and administration tools and to foster the exchange of best practices among Member States. Results to date have been very encouraging, with more than 10 countries in Africa and other countries such as Brazil and the Philippines having already adopted innovative approaches. Much remains to be done, however, to strengthen the capacity of national and local institutions to incorporate these new approaches as part of institutional and policy reform.

**Urban governance and strengthening the role and contribution of local authorities**

17. Paragraph 174 of the 2005 World Summit Outcome underlines the important role of local authorities in contributing to the achievement of the internationally agreed development goals and further reinforces paragraph 12 of the Istanbul Declaration on Human Settlements,[2] which recognizes "local authorities as our closest partners ... in the implementation of the Habitat Agenda". Promoting effective decentralization continues to be a core element of the UN-Habitat strategy to strengthen the capacities of local authorities as first-tier providers of basic services, to improve local governance and to deepen democracy at the local level.

18. At the intergovernmental level, at its twentieth session the Governing Council of UN-Habitat reviewed a draft of international guidelines on decentralization. The review led to the adoption of Governing Council resolution 20/18 on decentralization and strengthening of local authorities, inviting Governments to provide further comments on the draft guidelines and the secretariat to take those comments into account to finalize the guidelines in 2006 with the support of the Advisory Group of Experts on Decentralization. The revised guidelines are to be presented to the Governing Council for its consideration at its twenty-first session in 2007. In the same resolution the Governing Council also requested the Executive Director of UN-Habitat to assist the United Cities and Local Governments organization to develop the concept of a global observatory to assess, monitor and evaluate the state of decentralization and accountability as important conditions for achieving the goals of the Habitat Agenda.

19. UN-Habitat has been working closely with the Advisory Committee on Local Authorities, the leadership of the United Cities and Local Governments organization and representatives of national Governments towards effective implementation of resolution 20/18, including the revision of the draft international guidelines on decentralization in close consultation with the Advisory Group of Experts on Decentralization, and a cooperation agreement with the Government of France for establishing the Global Observatory of Local Democracy and Decentralization. The anticipated adoption of the guidelines by the Governing Council of UN-Habitat and the establishment, in collaboration with the United Cities and Local Governments organization of the Observatory will provide important impetus for the adoption by Member States of more enabling policies and legislation to empower local

[2] See *Report of the United Nations Conference on Human Settlements (Habitat II), Istanbul, 3-14 June 1996* (United Nations publication, Sales No. E.97.IV.6).

authorities to play an active role in the implementation of the Habitat Agenda and the attainment of Millennium Development Goal 7, targets 10 and 11.

**Urban safety and security: enhancing the role of local authorities and civil society**

20. The lack of urban safety and security is a major impediment to mobilizing foreign and domestic resources and investment, to promoting gender equality and the empowerment of women and to ensuring peace and stability. In the previous reporting period, UN-Habitat completed a series of regional consultations, international conferences and fact-finding investigations in the form of victimization surveys in selected cities in Africa, Asia and the Pacific, Latin America and countries with economies in transition. The findings of the studies and the recommendations resulting from the consultations and conferences form the basis of the current phase of testing and applying pro-poor gender-sensitive policies and participatory strategies for combating urban crime and violence. The strategy consists of establishing multi-stakeholder action plans, formulating institutional and legislative change to support implementation, and creating regular review mechanisms to monitor progress. Pilot implementation programmes are under way in 23 cities in 15 countries in Africa, Asia, Latin America and in countries with economies in transition. Key partners include the United Nations Office on Drugs and Crime, the Economic and Social Commission for Asia and the Pacific and UNICEF. A key focus of pilot activities is the mobilization and active participation of civil society organizations, women's groups and youth at risk.

## D. Capacity-building and technical advisory services

21. UN-Habitat capacity-building and technical advisory services are designed to respond to requests by Member States to assist in adapting and applying global norms and policy guidelines in support of the implementation of the Habitat Agenda and the Millennium Development Goals. Their focus is to strengthen institutional capacities at the national and local levels and to create an enabling environment for effective public, private and civil society partnerships. Key activities include training, local leadership development, multi-stakeholder consultations, ad hoc advisory services and the adaptation and use of participatory planning tools and pro-poor policy instruments.

**Reducing urban poverty**

22. Effective urban poverty reduction and social inclusion depends to a large extent on access to housing and basic urban services by the urban poor. The strategic focus of UN-Habitat activities in this area is to assist Member States to significantly reduce housing and infrastructure shortages and to improve the delivery of basic urban services. Over 70 countries in Africa, Asia and Latin America, including Arab States, are in the process of implementing housing and infrastructure development projects as well as initiatives in improving urban governance and management with the assistance of UN-Habitat, working in partnership with the United Nations Development Programme (UNDP), the European Commission, the World Bank, regional development banks and bilateral donors. Key results include the adoption of pro-poor land policies, inclusive and affordable housing strategies, and improved access by the urban poor to urban basic services.

**Sustainable reconstruction, disaster prevention and peacebuilding**

23. The poor are often the most severely affected victims of natural disasters and conflicts and the last to benefit from reconstruction and the restoration of livelihoods, as shown by a recent report by the Office of the United Nations High Commissioner for Refugees (UNHCR) highlighting the growing number of internally displaced people. UN-Habitat experience has shown that human settlements planning and management, and especially the restoration of property rights, are key determinants to sustainable reconstruction, the restoration of livelihoods and peacebuilding. For this reason, UN-Habitat has adopted an integrated capacity-building approach to post-disaster/post-conflict land management and administration, settlement planning and risk and vulnerability reduction. That approach is currently being applied by UN-Habitat in collaboration with national agencies, bilateral donors and other United Nations agencies in tsunami, earthquake and flood-affected communities in Asia, Mozambique and the Bolivarian Republic of Venezuela, and in post-conflict communities in Afghanistan, Burundi, the Democratic Republic of the Congo, Timor-Leste, Haiti, Iraq, Liberia, Rwanda, Sierra Leone, Somalia and the Sudan. Activities combine policy advisory services, capacity-building and technical assistance to: rebuild and strengthen local government capacity; promote timely resettlement and reconstruction through the restoration of property rights; enhance disaster preparedness and reduce the risk and vulnerability of the poor through integrated land and water management, improved building standards, planning norms and construction technology; and restore livelihoods, including the reintegration of ex-combatants and ex-militia in civil society, through skills and vocational training. At the inter-agency level, since becoming a member of the Executive Committee on Humanitarian Affairs, UN-Habitat has been actively involved in mainstreaming a more sustainable approach to the shelter, land and property dimensions of system-wide humanitarian response and serves as the focal point for such issues in the Inter-Agency Standing Committee working groups.

**Rapid urban sector profiling for sustainability**

24. The Regional Urban Sector Profile Study is a rapid, action-oriented assessment tool that helps Member States to identify key institutional, legislative and structural issues and to facilitate consensus on effective response mechanisms for urban poverty reduction. It also integrates urban concerns within poverty reduction strategy papers, the United Nations Development Assistance Framework process and the development efforts of development partners and government institutions. They provide a road map for addressing urban needs and gaps through capacity-building and demonstration projects aiming at poverty reduction through strategic interventions. The Study represents a structured and coordinated approach to priority interventions and is being jointly developed by UN-Habitat and the European Commission. The Study's programme consists of three phases: rapid, participatory urban profiling at the national and local levels, focusing on governance, slums, gender and the environment, complete with proposals for intervention; feasibility studies for priority areas of action; and follow-up implementation. The programme expanded its activities in 2005 to Afghanistan, Burkina Faso, Cameroon, the Democratic Republic of the Congo, Egypt, Eritrea, Ethiopia, Ghana, Iraq, Kenya, Lebanon, Lesotho, Liberia and the Libyan Arab

Jamahiriya through city development strategies in support of local economic development.

### Urban environmental planning and management

25. Rapid and unplanned urbanization is a major cause of poor environmental health and environmental deterioration. Owing to their illegal status, unplanned settlements rarely benefit from adequate solid and liquid waste disposal and storm water drainage. Consequences include the spread of easily preventable diseases and contamination of the local environment. Such consequences are further exacerbated by the lack of pro-poor energy policies, obliging many of the urban poor to rely on wood and charcoal as a source of fuel. These issues were fully acknowledged at the intergovernmental level at the thirteenth session of the Commission on Sustainable Development, which called for a concerted and integrated approach to human settlements and water and sanitation, and also at the Commission's fourteenth session, which called for further examination of the relationship between the attainment of the Millennium Development Goals and energy. At the city and national levels, the Localizing Agenda 21 and the joint UN-Habitat/United Nations Environment Programme (UNEP) Sustainable Cities programmes have become a primary tool within the United Nations system for supporting the implementation of both Agenda 21 and the sustainable urbanization goal of the Habitat Agenda. Both programmes have sharpened their focus to address the Millennium Development Goals and to help implement the targets of the Johannesburg Plan of Implementation. Technical assistance, capacity-building and policy advisory services are currently being provided to 80 cities in 26 countries in Africa, the Asia-Pacific region, Europe and Latin America, including Arab States, to design and implement local action plans. Global and regional activities include the dissemination of a number of environmental planning and management tools, information outreach and advocacy through networking with local partners and international support programmes. UN-Habitat also participated in the African Ministerial Conference on the Environment, which adopted an urban component in its five-year rolling plan for focusing on capacity-building of national Governments and local authorities in environmental planning and management and implementing the NEPAD sustainable city programme.

## E. Mobilizing domestic resources and investment in pro-poor housing and urban development

26. Financing affordable housing and urban development remains one of the major stumbling blocks for rapidly urbanizing countries and the principle reason why the 2005 World Summit Outcome specifically highlighted the catalytic role of the United Nations Habitat and Human Settlements Foundation. The Slum Upgrading Facility and the Water and Sanitation Trust Fund of the Foundation are currently assisting countries in Africa and Asia to develop and apply innovative approaches and financial instruments to support public expenditure with domestic capital, loans and microcredit facilities to finance pro-poor housing and urban development and water and sanitation. Both the Trust Fund and the Facility combine the cross-cutting mandate and core competencies of UN-Habitat in human settlements planning and management with the sectoral mandates and financing capacities of international financial institutions.

**Resource mobilization in support of attaining Millennium Development Goal 7, target 10**

27. In its support to Member States for the water and sanitation targets of the Millennium Development Goals, UN-Habitat continues to take the lead in packaging capacity-building technical assistance with domestic and international finance. That approach is currently being implemented in partnership with both the African Development Bank and the Asian Development Bank and with the support of bilateral donors in 18 countries in Africa and Asia. A major outcome of the approach is the reduction in the gap between capacity-building technical assistance and going to scale processes. Aid efficiency is also greatly enhanced since political will in implementing institutional, legal and policy reforms and good governance are matched with fast-track grants and capital investment, resulting in timely and tangible improvements in access to water and sanitation by the urban poor. Following the previously reported agreement in 2005 between UN-Habitat and the Asian Development Bank, involving $500 million for pro-poor water and sanitation investments in Asian cities, a similar agreement was signed in 2006 with the African Development Bank to support fast-track investments in pro-poor gender-sensitive water and sanitation amounting to $540 million, bringing the total amount of follow-up investment to more than $1 billion in the two regions.

**Mobilizing domestic capital in support of Goal 7, target 11, and paragraph 56 (m) of the 2005 World Summit Outcome**

28. A key challenge in slum upgrading and the prevention of the future formation of slums is overcoming the perceived risks by the private sector in investing in pro-poor housing and urban development. Further progress has been made on the development of the UN-Habitat Slum Upgrading Facility, as reported in 2005. The Facility combines the technical expertise, convening power and confidence-building abilities of UN-Habitat to forge framework agreements among private sector banking and non-banking financial institutions, community-based microcredit facilities, central and local governments and urban poor communities to engage in slum upgrading and to increase the supply of affordable housing for low-income groups. Four countries have been selected for the 2005-2008 pilot phase (Ghana, Indonesia, Sri Lanka and the United Republic of Tanzania), while pipeline and consultative activities continue in Kenya and Uganda. In Ghana, design work has been undertaken with the HFC Bank of Ghana in establishing targeted low-income housing finance products that would work in conjunction with specific upgrading projects being designed with local authorities. In Indonesia, the cities of Jakarta and Yogyakarta have spearheaded projects for upgrading slums that involve civil society organizations and the slum-dwellers themselves. In Sri Lanka, partnership arrangements between slum-dwellers' federations and city authorities have produced the design of land-sharing initiatives that will attract private sector finance. In the United Republic of Tanzania, the Tanzanian Women's Land Access Trust has developed innovative financing strategies in the development of new low-income housing, with assistance from the local government. In Kenya, a partnership between UN-Habitat, government agencies and local authorities has established working methodologies for private sector finance. The pilot programme will test the methodologies that were developed in close collaboration with the World Bank, the Cities Alliance, the Private Infrastructure Development Group and domestic financial institutions.

## IV. Lessons learned and recommendations

29. While considerable progress has been made in furthering the coordinated response to the implementation of the Habitat Agenda at the global level, substantial obstacles remain in scaling-up efforts at the national and local levels to address the complex issues of rapid urbanization and urban poverty. The situation is exacerbated by the predominantly sectoral approach of the international community in providing support for the efforts of Member States in attaining the internationally agreed development goals. The consequences include fragmented, uncoordinated and often contradictory policymaking when it comes to cities and towns in which half of the population targeted by the Millennium Development Goals now live. Attaining the Goals in urban areas will require a much more integrated approach, which will deal with the growing crisis of rapid and unplanned urbanization in a holistic manner and recognize the important role of local authorities in planning and mobilizing investments in urban infrastructure and basic services. Support for efforts to attain the Millennium Development Goals and to sustain the benefits accrued beyond target dates in rapidly urbanizing countries will depend to a large extent on strengthening effective partnerships among Governments, local authorities and the international community to work with local stakeholders in a concerted manner. The current situation is both dysfunctional and disempowering. Local authorities and civil society organizations, including the private sector, are seldom consulted in the formulation of poverty reduction strategy papers, common country assessments, the United Nations Development Assistance Frameworks or other development frameworks, and they are also often bypassed by sector-specific support and interventions resulting in uncoordinated responses. The specific recommendations below are made to address these issues.

30. Governments are encouraged to accord the highest priority to assessing and monitoring trends in slum formation, urban poverty and urban deprivation as a basis for informing and adopting pro-poor gender-sensitive urban policies and strategies to improve the living conditions of slum-dwellers in accordance with Millennium Development Goal 7, targets 10 and 11, and are invited to collaborate with UN-Habitat in the integrated monitoring, reporting and advocacy of those targets.

31. Governments are encouraged to mainstream the urban agenda in preparing and implementing comprehensive national development strategies to achieve the commitments of the Habitat Agenda and the Millennium Development Goals, as called for by paragraph 22 (*a*) of the 2005 World Summit Outcome.[1] They are also encouraged to ensure that the issues of urban poverty and the urban dimension of attaining internationally agreed development goals figure prominently as an integral part of common country assessments, poverty reduction strategy papers and the overall scope of work of the United Nations Development Assistance Framework process.

32. Governments are invited to work with the UN-Habitat integrated and multi-stakeholder approach to implement pro-poor housing, water and sanitation and urban development, to scale-up slum prevention and slum improvement and to ensure effective participation of local authorities, the

**private sector and civil society, as called for by paragraphs 56 (*m*) and 174 of the 2005 World Summit Outcome.**

**33. Governments in a position to do so are invited to support the UN-Habitat integrated and concerted approach to monitoring, capacity-building and financing in support of the implementation of the Habitat Agenda and Millennium Development Goal 7, targets 10 and 11, through increased non-earmarked contributions to enable more effective and timely response to requests for assistance from Member States, as well as contributions to the United Nations Habitat and Human Settlements Foundation and its Slum Upgrading Facility in support of the implementation of paragraph 56 (*m*) of the World Summit Outcome.**

**34. Governments are also encouraged to designate a single focal point for urban affairs in their interaction with United Nations country teams as a means of enhancing cohesive and coherent international support to the attainment of the Habitat Agenda and the Millennium Development Goals in urban areas and to ensure mutually reinforcing support and overall aid effectiveness.**

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**Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies and the international institutions associated with the United Nations**

# Assistance to the Palestinian people

## Report of the Secretary-General

*Summary*

The year under review was marked by the implementation of Israel's disengagement from the Gaza Strip and parts of the northern West Bank, the attainment of an Agreement on Movement and Access which was only partly implemented, ongoing violence claiming innocent lives on both sides, the continuation of a tight closure policy by the Israeli authorities, the incapacitation of Israeli Prime Minister Ariel Sharon, and legislative elections both in Israel and in the Occupied Palestinian Territory. The Israeli elections led to the formation of a coalition Government, under the leadership of Acting Prime Minister Ehud Olmert of the Kadima party. The Palestinian elections were won by the Hamas "Change and Reform" list of candidates.

Following the Hamas victory, many donors undertook a review of their assistance policy to the Palestinian Authority, in the context of the principles spelled out by the Middle East Quartet in its statement of 30 January 2006. The Government of Israel also decided to withhold the payment of the taxes and duties collected on behalf of the Palestinian Authority. The latter is consequently facing an acute fiscal crisis, which risks further exacerbating an already precarious economic and social situation in the Occupied Palestinian Territory. Setting aside their previous focus on

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** E/2006/100.

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a transition towards medium- and longer-term development planning. United Nations agencies and programmes emphasized emergency assistance as their main priority.

The present report contains a description of efforts made by United Nations agencies, in cooperation with Palestinian and donor counterparts, to support the Palestinian civilian population and institutions.

# I. Introduction

1. The present report is submitted pursuant to General Assembly resolution 60/126 of 15 December 2005, in which the Assembly requested the Secretary-General to submit to it at its sixty-first session, through the Economic and Social Council, a report on the implementation of the resolution. The reporting period was from May 2005 to April 2006.

2. Information on the living and socio-economic conditions of the Palestinian people is provided in reports prepared by other United Nations agencies, including, (a) the report of the Economic and Social Commission for Western Asia (ESCWA) on the economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the Occupied Palestinian Territory, including Jerusalem, and of the Arab population in the occupied Syrian Golan (A/60/65-E/2005/13); (b) the annual report of the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) (A/60/13); and (c) the report of the United Nations Office for the Coordination of Humanitarian Affairs and of UNRWA entitled "The Humanitarian Impact of the West Bank Barrier on the Palestinian Community, Special Focus on crossing the Barrier: Palestinian Access to Agricultural Land".

3. Throughout the year, the United Nations Special Coordinator for the Middle East Peace Process and Personal Representative of the Secretary-General to the Palestine Liberation Organization and the Palestinian Authority continued his efforts to support the peace process and to ensure effective coordination between the Palestinian Authority, the United Nations, the international community and the Government of Israel, as well as to document the economic and social conditions in the Occupied Palestinian Territory.

4. The present report provides an overview of the work of the United Nations agencies, in cooperation with Palestinian and donor counterparts, to assist the Palestinian people and institutions, as described in General Assembly resolution 60/126. Also included are observations of the political climate and related challenges as the international community responds to the crisis and works to end the cycle of violence, alleviate the suffering of the Palestinian people, and move forward towards a resumption of negotiations for a peaceful settlement.

# II. Overview of the current situation

### Political context

5. The beginning of the reporting period was dominated by preparations for Israeli disengagement from the Gaza Strip. In May 2005, the Middle East Quartet appointed a Special Envoy for Disengagement to coordinate with the parties and the international community. In June, a United States Security Coordinator was appointed to promote Palestinian security reform, and to ensure coordination between the parties during the withdrawal. In September 2005, Israel concluded its withdrawal of settlers and military personnel from the Gaza Strip and parts of the northern West Bank. The Secretary-General praised the determination and political courage shown in that regard by Israeli Prime Minister Ariel Sharon. He also congratulated Palestinian President Mahmoud Abbas for his role in ensuring a peaceful and coordinated withdrawal.

6. On 25 January 2006, the Hamas list of candidates for "Change and Reform" won a majority victory in the Palestinian legislative elections. In its statement on 30 January, the Quartet congratulated the Palestinian people on an electoral process that was free, fair and secure, but stressed that a new Palestinian government should be committed to non-violence, recognition of Israel's right to exist, and acceptance of previous agreements and obligations, including the road map. The Security Council subsequently took the same position.[1] Citing a lack of movement by the new Palestinian Authority towards the Quartet's three principles, many donors undertook to review their assistance programmes and to examine alternative channels of funding and the United States and the European Union announced a freeze on their assistance to the Palestinian Authority, while maintaining direct assistance to the Palestinian people.

7. Following the incapacitation of Israeli Prime Minister Sharon on 4 January 2006, Deputy Prime Minister Ehud Olmert temporarily assumed the leadership of the Government, and led Mr. Sharon's new Kadima party into national elections on 28 March. Kadima won 29 seats in the Knesset, and Mr. Olmert was tasked with forming a new Government. The international community continued to monitor developments surrounding Kadima's plan, announced during the electoral campaign, to withdraw further from areas of the West Bank and to define permanent borders over the next four years.

**Humanitarian and socio-economic context**

8. According to the World Bank, real gross domestic product (GDP) grew for the third consecutive year, by an estimated 6.3 per cent in 2005.[2] GDP per capita remained 33 per cent lower than in 1999, however, indicating pressures of ongoing demographic growth.[2] A climate of economic uncertainty and social hardship continued throughout the year, worsened by recurring violence, ongoing construction of the Barrier, restrictions on movement, land confiscation, house demolitions, arrests and detentions by the Israeli authorities and intensification, from August onwards, of the fiscal crisis. With the election of Hamas, prospects for continued international financial support for the Palestinian Authority lessened, leading to a risk of contraction in the Palestinian economy.

9. An estimated 48 per cent of Palestinians were living below the poverty line at the end of 2005. Unemployment levels reached 23.4 per cent, according to the International Labour Organization (ILO). Food insecurity continued to affect some 37 per cent of the population,[3] and an increase in stunting levels among children, particularly in rural and refugee families, was detected, according to the United Nations Office for the Coordination of Humanitarian Affairs. Seventy-six per cent of Palestinians throughout the Occupied Palestinian Territory stated their need for assistance.[4]

10. Important challenges remained after disengagement. While internal closures within Gaza were lifted, external closures remained in place and under Israeli control. An Agreement on Movement and Access was signed on 15 November 2005. It included a provision on the opening of the Rafah border crossing between Egypt and Gaza, implemented 26 December 2005, with technical assistance from the European Union. Since then, the Rafah crossing point has remained operational, with a daily average of 1,315 travellers using the crossing as of the end of March.[5] Other aspects of the Agreement, however, are yet to be implemented.

11. In 2005, the Erez crossing was closed for 54 per cent of the year, or 198 days, and for 75 per cent of the year, if weekend days are included. The Erez industrial zone ceased to operate in September. Previously, the average number of daily workers and traders entering the estate had been 295 and 131, respectively, a decline of 90 per cent compared to pre-intifada figures.

12. Imports from Israel through the main commercial terminal rose by 5 per cent, though exports declined by 30 per cent in 2005 compared with 2004. The Karni crossing was closed 18 per cent of the year in 2005. The sustained closure of the Karni commercial crossing, which occurred for 47 days between 1 January and 31 March 2006, led to an acute shortage of wheat flour stocks, resulting in bread shortages in mid-March. Since 21 March, the Karni crossing has been used for imports, although in a lesser capacity.

13. Exports from Gaza via the Karni crossing failed to meet the target of 150 trucks per day as set out in the Agreement on Access and Movement. The Palestine Economic Development Company, which manages the greenhouses in the former settlement areas, reported total export losses of more than US$ 8.5 million owing to the closures at Karni. More than 600 tons of vegetables were destroyed or donated. Total export losses for both agricultural and non-perishable items were estimated at more than $23 million for the first three months of 2006. As of 27 March, the average monthly number of truckloads in 2006 for imported goods was 2,465, well below the monthly average of 4,561 truckloads for 2005.

14. The Agreement on Access and Movement contained a provision on the easing of internal closures within the West Bank. During 2005 the United Nations Office for the Coordination of Humanitarian Affairs, with the support of the Quartet Special Envoy for Disengagement, worked closely with Israeli military officials to determine methods for reducing the number of obstacles to internal movement within the West Bank. As a result of those efforts, the number of obstacles fell from 605 to 396 between May and November 2005. The number of obstacles rose again towards the end of 2005, however, in the wake of two suicide bombings in the Israeli coastal towns of Netanya and Hadera. The number of obstacles imposed on the West Bank reached some 505 by the end of March 2006. Other aspects of the Agreement, including the establishment of a land link between Gaza and the West Bank and the opening of air and sea outlets in Gaza, were not implemented.

**Barrier**

15. On 9 July 2004, the International Court of Justice rendered an advisory opinion[6] stating that the construction of the Barrier "constitutes breaches by Israel of several of its obligations under the applicable international humanitarian law and human rights instruments". On 20 July 2004, the General Assembly adopted resolution ES-10/15, in which the Assembly acknowledged the Court's advisory opinion and asked that Israel comply with its legal obligations. The Assembly also requested the Secretary-General to establish a register of Barrier-related damages.

16. Israel continued the construction of the Barrier. By mid-January 2006, approximately 299 km (44.6 per cent) was completed and a further 124 km (18.5 per cent) was under construction. Some 247 km remains projected. Of the constructed Barrier, 38 km was made up of 9-metre-high concrete slabs and the remainder consisted of a combination of ditches, trenches, roads, razor wire, and electric fences. If all of the Ma'ale Adumim and Ari'el/Emmanuel sections marked as

"subject to the completion of further inter-ministerial examination" are included, then approximately 57,050 hectares or about 10.1 per cent of land in the West Bank and East Jerusalem will lie between the Barrier and the Green Line.

17. The reporting period saw major steps towards the completion of the Barrier around Jerusalem, severely disrupting the movement of Palestinians between the West Bank and East Jerusalem which, as a key commercial hub, accounts for about 30 per cent of the Palestinian economy. Approximately one quarter of East Jerusalem residents will live to the east of the planned Barrier and will need to cross it to access services inside Jerusalem.

# III. United Nations response

## A. Human and social development

### Education

18. The UNRWA Education Programme was its largest yet in terms of budgetary and human resources. For the approximately 254,175 pupils enrolled in 273 UNRWA elementary and preparatory schools, education is free of charge. UNRWA also provided technical, paramedical and commercial training at four vocational training centres for refugee youth. The United Nations Children's Fund (UNICEF) achieved progress in improving teaching and learning processes in the classroom as well as increased participation in extra-curricular activities, and quality learning through the use of remedial education. UNICEF and the United Nations Educational, Scientific and Cultural Organization (UNESCO) began work on a joint programme on girls' education.

19. UNESCO launched a $15.1 million project supporting an equitable and efficient funding mechanism for Palestinian higher education aimed at providing scholarships to some 20,000 Palestinian students and direct grants to universities. Several new capacity-building activities for non-formal education and in line with the United Nations Literacy Decade were implemented focusing on vulnerable groups, such as women, children with special needs and illiterate adults and with emphasis on early childhood care and education for preschool educational planning. Within the framework of the Education for All initiative, UNESCO continued to provide advice to the Ministry of Education and Higher Education towards the finalization of its new five-year development plan. A feasibility study on the production of textbooks and curricula was also completed. Technical assistance towards the development of a national teacher education strategy as well as in the field of technical and vocational education and training was provided, resulting into the strategic review of the Implementation Plan of the technical and vocational education and training National Strategy.

20. The United Nations Development Programme (UNDP) contributed to the Education for All initiative through the construction and rehabilitation of 26 schools, provision of computers and educational materials for 120 schools, and teacher training. It developed the Palestinian Education Initiative with the Ministry of Education and Higher Education and the World Economic Forum, and provided training to teachers to improve the current quality of education. The United Nations Development Fund for Women (UNIFEM) supported a pilot initiative in Palestinian

schools to raise awareness of the issues of sexual assault and rape and developed a sex education curriculum to be incorporated into schools. The Office of the United Nations High Commissioner for Human Rights (OHCHR) concluded an agreement with the Ministry of Education and Higher Education towards implementing the first phase of the World Programme for Human Rights Education. The United Nations Population Fund (UNFPA) successfully integrated reproductive and sex education into the home economics (for girls) and environmental education (for boys) curriculum for grades 9 and 10.

**Health**

21. During the reporting period, UNRWA continued to operate 54 facilities providing comprehensive primary health care at a cost of $22 million, and to implement its Environmental Health Programme to reduce morbidity and the risks of disease outbreak within refugee camps. The World Health Organization (WHO) invested a total of $2.5 million in technical assistance to the Ministry of Health in key health areas such as mental health, nutrition, food safety and communicable diseases. WHO continued to lead the coordination and information-sharing system and facilitated effective communication between Palestinian and Israeli health professionals and institutions. With development investments of approximately $1.1 million, UNFPA focused on improving the accessibility of 41 primary health-care facilities offering reproductive health services, and 11 comprehensive care facilities in the most populated and underprivileged areas.

22. UNICEF focused on achieving the Millennium Development Goals, in particular the goal of reducing child mortality. UNICEF programming included capacity-building of health-care providers, and providing all the vaccines and vaccine-related supplies for immunization services at the 413 clinics run by the Palestinian Authority and 53 centres administered by UNRWA. In addition, UNICEF provided essential drugs and facilitated the upgrading of cold chain equipment required for immunization. The United Nations Office on Drugs and Crime continued to focus on the prevention of drug abuse in the Occupied Palestinian Territory. Experts from Gaza and the West Bank attended a workshop sponsored by the Office on Drugs and Crime and UNAIDS, on the prevention of HIV/AIDS among injecting drug users. UNIFEM initiated a national study on gender and HIV/AIDS as part of a larger regional initiative to identify and develop advocacy and communication strategies. UNIFEM also developed a code of ethics regarding domestic violence to be adopted by health-care workers.

23. In 2006, the region was struck by an outbreak of avian flu. Several agencies cooperated to assist the Palestinian Authority in responding to the crisis and raising public awareness, including the Food and Agricultural Organization of the United Nations (FAO), WHO, UNICEF, UNFPA, UNRWA and the World Bank. WHO trained key lab technicians and provided reagents. UNICEF trained primary and secondary teachers in all districts and health managers in 15 districts. The regional dimension of the crisis also meant close collaboration between the Palestinian and Israeli Health and Agriculture ministries.

**Multisector development support**

24. The World Bank balanced ongoing emergency efforts with a continued focus on a medium-term development agenda. It monitored and analysed emerging socio-economic developments and donor interventions and advised the Palestinian Authority, the United Nations and the donor community on economic development priorities and strategies. The Bank's ongoing portfolio consisted of 12 projects valued at $154 million. Under its regular programme, UNDP provided some $5.8 million in infrastructure support across a wide range of social sectors. The overall ongoing portfolio of UNDP consisted of several programmes valued at $110 million with disbursements of over $61 million during the reporting period. UNDP provided technical advice on the preparation of the Palestinian Medium-Term Development Plan. ESCWA also supported the preparation of the Plan, by assisting the Ministry of Planning in bringing the various parties to achieve a national consensus on that vision.[7]

25. The United Nations Human Settlements Programme (UN-Habitat) allocated some $5 million to improve the human settlements and housing conditions of the Palestinian people. UNRWA began a process to examine how to better address deteriorating living conditions of the 1.6 million refugees living in 27 camps. The Agency sought to situate its shelter and re-housing efforts within a broader approach to camp development.

**Targeted social assistance**

26. Through its Special Hardship Case Programme, UNRWA distributed food and cash subsidy packages on a quarterly basis valued at $83 per person during the reporting period. In addition, UNRWA provided hundreds of refugees with apprenticeships and vocational or teacher training opportunities. The World Food Programme (WFP) and FAO identified vulnerable non-refugee beneficiaries for targeted support in food-insecure areas.

27. UNICEF-targeted assistance activities covered the areas most affected by closures, demolitions, military incursions and the Barrier. Those activities included child protection, health and nutrition, education and adolescent development and participation. The annual ILO fact-finding mission took place during March and April of 2006 in order to better understand the prevailing socio-economic situation and its impact on workers in the Occupied Palestinian Territory. The results of the mission are to be published during the International Labour Conference in June 2006.

**Human rights and women**

28. During the reporting period, OHCHR continued its technical assistance programme to support the development of a modern system of governance based on the rule of law, separation of powers and administration of justice, in accordance with international human rights standards, through capacity-building workshops and briefings with visiting independent experts. The Office also worked in partnership with non-governmental organizations and the Palestinian Independent Commission for Citizens' Rights (the national human rights institution) to promote human rights through the media, seminars and other joint activities. OHCHR initiated the formation of a United Nations Inter-Agency Human Rights Working Group to facilitate human rights mainstreaming across the work of all agencies. Training

workshops were carried with the Ministry for Women's Affairs. WHO worked in partnership with Palestinian and Israeli non-governmental organizations to advocate for the right to health and to access health services within the Occupied Palestinian Territory.

29. UNIFEM expanded its Sabaya programme, aimed at increasing the participation of Palestinian women in social, economic and political life. Originally targeting only the West Bank, the programme now also covers the Gaza Strip. A total of $900,000 will be invested in 18 women's centres through a variety of initiatives related to education, health, economic security, leadership and empowerment. In addition, UNIFEM supported civil society initiatives to highlight honour crimes against women by advocating for changes in public attitudes and calling for changes to the penal code. The agency supported the Ministry of Women's Affairs in the development of a Palestinian Women's Bill of Rights, and supported dialogue between women's organizations and the Palestinian Authority. UNIFEM initiated a project to bring psychosocial and other counselling services providers to women's centres in rural communities. The overall investment of UNIFEM in women's rights activities was $80,000.

30. The capacity-building initiatives of UNESCO included programming implemented in cooperation with the Ministry of Women's Affairs in the areas of girls' vocational counselling, academic assistance, and parental awareness of the importance of girls' education. The agency also supported the development of the Palestinian Women's Research and Documentation Centre, inaugurated in 2006, which conducted studies on women and poverty, the basic education system and the dimensions of women's empowerment. A branch of the centre will be established in Gaza in 2006. During the reporting period, UNFPA shifted some activities to incorporate humanitarian components such as emergency obstetric care, psychosocial counselling for young people and women, and community support groups working for women in isolated rural communities. UNRWA supported 46 community-based organizations, which encouraged women to play a more public role in society, and promoted enhanced management, finance and administration skills among refugee women. UNESCO worked to eliminate gender disparities in the education system by initiating a capacity-building programme with the Ministry of Education and Higher Education, UNIFEM and the Ministry of Women's Affairs.

**Safety and well-being of children**

31. The rights of Palestinian children to education, health, nutrition and play continued to be challenged. By July 2005, about 10 per cent of children under age 5 were stunted. The prevalence of violence in homes, schools and neighbourhoods remained an issue of particular concern. Restrictions on movement also continued to make access to health facilities, schools, and extra-curricular activities difficult. School enrolment data revealed a 2-per cent decline in enrolment for both girls and boys during the reporting period. Some 3.1 per cent of Palestinian children worked, with a third of those working instead of attending school.

32. During the reporting period more than 25 Palestinian children were killed and many more injured by live fire, heavy artillery, tank shells, shrapnel and missiles. In 2004 UNRWA decided to enhance the technical capacity of its Community Mental Health Programme, and recruited a specialist in protection to identify protection gaps. Over 2,700 refugee children and youth in the Occupied Palestinian Territory

received psychological counselling and support through UNRWA, and UNDP supported programmes aimed at increasing the resilience of children and youth who suffer from post-traumatic stress disorder and other forms of trauma. UNICEF and its non-governmental partners ran 12 psychosocial emergency teams to address the conflict-related distress of children and their caregivers. In total, 50,000 children attended UNICEF debriefing sessions in 2005 and 25,000 caregivers were trained.

33. In response to high levels of violence against children and women in homes, schools and communities, UNICEF and its governmental and non-governmental partners have implemented a comprehensive programme since 2004, including monitoring, law and policy development, awareness-raising, capacity-building and the setting up of response systems. UNICEF also supported the development of a draft juvenile justice law and a Palestinian child rights law. In addition, UNICEF provided support to the Ministry of Detainees Affairs in building a comprehensive database on Palestinian children held in Israeli detention. UNICEF and the Ministry of Planning also began establishing a national child protection monitoring system.

**Youth**

34. Addressing the high percentage of unemployment among young people, UNDP continued to focus on building up the capacity of the youth network in the Occupied Palestinian Territory. UNRWA continued to assist refugee youth ages 15 to 24 through education, job creation, access to microcredit, and extra-curricular activities. In addition to the formalized education offered by UNRWA, more than 11,600 refugee children and youth took advantage of various training or tutoring and skills-building activities in computers, languages, leadership training, sports, theatre, music and summer and winter camps.

**Millennium Development Goals**

35. During the reporting period, UNDP worked to promote the Millennium Development Goals agenda among United Nations agencies, Palestinian groups and international partners. The 2005 MDG Progress Report was prepared under the umbrella of the Palestinian National MDG Steering Committee and coordinated by UNDP. In addition, UNDP supported the efforts of the Ministry of Planning to align Palestinian medium-term development priorities with the Millennium Development Goals.

**Environment**

36. During the period under review, UNDP worked to create a favourable environment for human development by addressing the importance of solid waste and medical waste management, as well as through capacity-building of the people working in such facilities. In December 2005, the United Nations Environment Programme (UNEP) conducted an independent assessment of the environmental status of the disengaged Israeli settlements in Gaza. All 21 disengaged settlements in the Gaza Strip were covered, as well as the Erez industrial zone. Following the laboratory phase, the findings were released in March 2006. UNEP agreed with UNDP to provide training to Palestinians on ways to address the asbestos remaining in the rubble of the demolished houses in the disengaged settlements. UNEP also committed to provide the expertise needed to prepare a proposal, through UNDP, on

overall waste management throughout the Gaza Strip. Additional follow-up activities are being discussed.

## B. Governance and institutional support

### Direct budget support

37. A critical aspect of institutional support during the reporting period was the emergency financing of the Palestinian budget. Salary support was central, given the importance of public sector salaries for individual Palestinian livelihoods and the broader economy. The World Bank administered the multi-donor financial management-reform trust fund, which, as of February 2006, had disbursed over $293 million in budget support to the Palestinian Authority. The World Bank's own operations included a number of emergency services support projects, designed to mitigate the deterioration in service provision by covering municipal services, water sewage, environmental management electricity, education, non-governmental organizations, community support, land administration, tertiary education, and the Social Safety Net Reform Project. On average, the Bank has leveraged about $2.4 in donor funds for every $1 from its own resources.

### Capacity-building

38. According to the Office of the United Nations Special Coordinator for the Middle East Peace Process, $15.8 million was invested by United Nations agencies in technical assistance and capacity-building activities directly benefiting the Palestinian Authority. The UNDP Transfer of Knowledge through Expatriate Nationals programme sent Palestinian experts to the Palestinian Authority, private sector and non-governmental organizations. The programme was utilized for capacity-building of the Prime Minister's Office and seven ministries. UNDP gave financial and technical support to the Palestinian Central Elections Commission and the Palestinian Legislative Council elections in January 2006. The United Nations Conference on Trade and Development (UNCTAD) continued to provide the Palestinian Authority and civil society with a range of technical assistance, advisory services and capacity-building projects, covering areas such as development strategies and economic management, trade policy, investment retention, public debt management and trade facilitation. The resource mobilization efforts of ILO ensured continued operation of the Palestinian Fund for Employment and Social Protection.

39. ESCWA organized a series of training courses for staff of the Palestine Standards Institution, relevant ministries and private sector entities in order to improve practices in the areas of standardization, technical regulation and inspection. Another ESCWA training course for the personnel of the Ministry of National Economy was held to enhance the Ministry's capacity in packaging practical development projects. ILO, in cooperation with the Palestinian Federation of Chambers of Commerce, Industry and Agriculture, organized a workshop on the importance of small and medium enterprises. Training workshops were held in the West Bank and Gaza covering the issues of child labour, social security, occupational safety and health, capacity-building of trade unions, employment policy and industrial relations. A technical advisory mission also reviewed the organization, role, scope, and function of the Ministry of Labour.

40. In November 2005, the United Nations Office on Drugs and Crime convened a meeting between law enforcement and drug control agencies from Israel and the Palestinian Authority, where the two sides discussed collaborative arrangements to review the situation regarding trafficking of drugs and related activities. In January 2006 the Office on Drugs and Crime launched a programme to provide technical assistance to the Palestinian Authority in order to prevent drug abuse, trafficking and other related crimes. Following the Israeli disengagement from Gaza, the UNCTAD project for modernizing customs enabled the Palestinian Authority to fully deploy sovereign customs operations at the Palestinian-Egyptian border at Rafah.

41. UNIFEM worked with the Ministry of Women's Affairs in drafting the chapter on gender equality in the Palestinian Millennium Development Goals report and common country assessment document. UNIFEM, in cooperation with UNDP, provided technical support to the Ministry of Telecommunications and Information Technology to develop the Palestinian information and communications technology sector through the mobilization of women graduates. In January 2006, ESCWA supported the Ministry of Women's Affairs by organizing a series of training workshops focusing on the Convention on the Elimination of All Forms of Discrimination against Women. Using the action plan developed by the Ministry of Local Governance, UNDP assisted in preparations for decentralization and assisted with the establishment of gender units in 15 line ministries.

42. On judicial and legislative reforms, UNICEF supported the Ministry of Justice, the Ministry of Social Affairs and specialized non-governmental organizations in reviewing the draft juvenile justice law. It also supported amendments to the 2005 Palestinian Child Law by initiating a broad-based consultation process. In addition, UNICEF launched a training programme on issues relating to the prevention of abuse in schools and supported the development of professional standards for psychosocial workers. OHCHR worked with the police academies in Jericho and Gaza to integrate human rights into the training curriculum and provided intensive training of trainer courses. The Director General of Palestinian Reform and Rehabilitation Centres agreed to similar programmes regarding training of trainers for prison personnel. Under an agreement with the Attorney General, training on human rights for prosecutors was initiated. UNDP continued the construction of courthouses and the building of the Ministry of Justice.

43. UNICEF also worked with the Ministry of Health to align health budgets towards priority interventions in line with the Millennium Development Goals and to streamline socially responsible budgeting. During the reporting period, UNICEF supported the unification and harmonization of health information systems in key areas such as maternal and child health, epidemiological surveillance, school health and immunization.

44. In other technical areas, the International Atomic Energy Agency (IAEA) assisted with agricultural pest control. The Ministry of Agriculture continued receiving technical support to control and monitor the Mediterranean fruit fly population in the Gaza Strip. IAEA also supported the Palestinian Authority's radiation protection service as well as scholarships to the regional post-graduate diploma courses on radiation protection and safety of radiation sources, held in Damascus.

**Culture**

45. UNESCO completed the Inventory of Palestinian cultural and natural heritage sites of potential outstanding universal value, presented during the 29th Session of the World Heritage Committee held in Durban, South Africa, in July 2005. The agency completed a comparative study on the cultural policies of the region. Maintenance and rehabilitation work on the Ramallah Archaeological Museum and other key sites were also initiated. Finally, UNESCO provided technical assistance to the Ministry of Culture in the preparation of proclaiming the traditional telling of folktales a "masterpiece of oral and intangible heritage of humanity".

**Media**

46. UNESCO provided technical and legal assistance to the Ministry of Information in drafting new media legislation. The agency also organized workshops on election reporting and coverage. A multimedia centre and a studio for children's programmes were established at the Palestinian Broadcasting Corporation and staff training was organized.

## C. Development of the private sector

47. The UNRWA microfinance programme has invested over $100 million in the Palestinian economy over the past 15 years through more than 100,000 microenterprise loans. In 2005 it financed half of all loans provided by the microfinance sector to Palestinian microenterprise, through 17,700 loans valued at $16.69 million. Some 30 per cent of these were loans to women microentrepreneurs working in the informal sector of the economy. Earlier in 2005, UNRWA introduced a $1.50 million pilot project in Gaza to provide microfinance for housing.

48. ILO began developing a joint programme with the Young Entrepreneurs Palestine, a Palestinian non-governmental organization, and the Negev Institute for Strategies of Peace and Development to promote work through micro and small enterprise development. ILO programmes also fostered personal entrepreneurial competencies. The World Bank's policy support and technical analysis led to the Joint Palestinian-Israeli Investors' Declaration presented in London in December 2005. UNICEF supported a salt plant located in Jericho to increase the production and quality of iodized salt. Sustainability was ensured by successfully streamlining iodized salt into the local market in partnership with agencies such as WFP. UNCTAD worked with private sector counterparts to establish the Palestinian Shippers Council in order to enhance the capacity of exporters and importers to effectively deal with shipping and transport intermediaries. With funding from ILO, UNCTAD implemented entrepreneur training workshops for approximately 100 small- and medium-sized entrepreneurs. During 2005, ESCWA launched the follow-up and implementation phase of the Arab-International Forum on Rehabilitation and Development in the Occupied Palestinian Territory.

## D. United Nations emergency assistance

49. Ongoing political uncertainty and economic hardship meant that a large proportion of United Nations assistance to the Occupied Palestinian Territory was directed towards emergency response. Operations were frequently affected by

restrictions on the movement of goods and personnel. As the political situation appeared to improve in the first months of 2005, the increasing attention of donors to medium-term assistance agendas resulted in a relative decline in support for emergency programmes. Political developments in the beginning of 2006, however, put funding for long-term development and support for Palestinian Authority capacity-building into question.

**Emergency food and agriculture support**

50. According to UNRWA, approximately 65 per cent of refugees in the Occupied Palestinian Territory received food support (75,000 families in the West Bank, and 135,000 in Gaza Strip). Restrictions on movement and declining donor support during 2005, however, required UNRWA to scale back its core provisions. In September 2005, WFP started its first Protracted Relief and Recovery Operation to provide direct food support to 480,000 non-refugee Palestinians, support livelihoods and prevent a decline in the nutritional status of the most food-insecure Palestinians. In 2005 WFP began addressing its humanitarian access problems in Gaza through purchasing 93 per cent of its food commodities locally. Between 1 April 2004 and 31 March 2005, WFP delivered over 70,000 metric tonnes of food aid, at a total expense of $35 million.

51. A FAO emergency project valued at $1 million provided agricultural inputs and equipment to vulnerable farmers, as well as numerous training courses for technicians and farmers on greenhouse construction and management and improved cultivation methods. UNDP financed the rehabilitation of destroyed agricultural assets in the northern Gaza Strip, the construction of greenhouses, cold storages, poultry and livestock farms and wells. In the West Bank, UNDP assisted in land reclamation and cultivation in several areas. UNDP and FAO together promoted several agricultural projects covering the West Bank and the Gaza Strip, and directly addressed critical situations such as the Barrier, land confiscation, destroyed crops, reduced rangeland, and the disengagement from Gaza.

**Emergency employment support**

52. The UNRWA job creation programme prioritized refugees with large families, supporting livelihoods with a remuneration of $10 to $12 per day per worker (an average of $2 per dependant per day). Employment programmes contributed to the repair of refugee camps infrastructure and the renovation of Agency facilities. In the Gaza Strip, over 24,000 people were temporarily employed, supporting over 186,000 dependants. In the West Bank, UNRWA also provided emergency direct employment to a total number of 4,500 refugees, benefiting 25,500 dependants. UNDP spent $28 million on emergency employment programmes. WFP provided food-for-work and food-for-training support for 39,700 workers from recently impoverished households, benefiting some 238,000 family members. ILO activities stimulated employment and income generation opportunities for 140 unemployed new graduates from the Palestinian industrial/vocational schools: 55 per cent of the graduates received permanent jobs.

**Emergency health support**

53. Continued closure within and between the territories severely challenged the Palestinian health system's ability to function at appropriate levels. The continuous closure of the Karni crossing also posed a risk for the availability of drugs. The referral system was hampered causing difficulties for patients from within the seam zone to enter the West Bank for medical attention in hospitals. Those difficulties were experienced by patients trying to access health facilities as well as by health professionals trying to reach their places of work. The procurement and delivery of cold chain equipments for needy clinics and districts was completed and 150 maternal and child health clinics were upgraded with medical equipment for implementing better quality child health and prenatal care by UNICEF. Some 50 clinics received equipment for health education and community awareness creation. Four new clinics in the former enclaves of Gaza and two new clinics in the West Bank were fully equipped for maternal and child health services.

54. UNRWA continued to run five mobile units as a continued response to restrictions on freedom of movement caused by closures and the building of the Barrier. A total of 136,000 patients were seen in 2005 at a cost of $2 million. In Gaza, during the Israeli disengagement, 8 medical teams were fully equipped, 60 volunteers were trained in first aid procedures and communities were mobilized on proper hygiene practices and the importance of breastfeeding. UNICEF also provided basic medical supplies, midwifery kits, family water kits, generators and other non-food items, and, in partnership with the Palestinian Red Crescent Society, ensured continuous delivery of health services in the enclaved areas, notably in the northern areas of the West Bank. Micronutrient supplements were procured and delivered to the central stores. Given the volatile situation emergency preparedness planning and the preposition of critical supplies for basic health continued. Besides routine services, an immunization campaign for measles, mumps and rubella for 600,000 children was planned in Gaza during the spring of 2006.

**Emergency education support**

55. UNICEF continued its emergency education assistance to the West Bank and the Gaza Strip. Approximately $940,000 worth of education equipment was provided to Palestinian Authority-administered schools during the disengagement in Gaza. Training courses were also organized for teachers. UNDP continued the construction and rehabilitation of schools and classrooms and sanitary facilities for schools as emergency humanitarian assistance. At the time of the present report, 26 schools were under construction. ILO spent $1.5 million towards the establishment of a vocational training centre for the disabled in Hebron, to be fully operational in the beginning of 2007.

**Emergency infrastructure support**

56. Israeli military incursions and house demolitions continued in 2005, causing damage or destruction to Palestinian property (homes, shelters, commercial) in 389 recorded incidents. Some 286 structures were demolished and 103 sustained damages. Of the total incidents 66 per cent occurred in the Gaza Strip, the damage notably caused by missiles, and 25 per cent occurred in Nablus. A total of 1,150 Palestinians were recorded displaced. Those numbers are conservative, however, since data on displaced people are often not available.

57. Emergency infrastructure programmes implemented by UNDP covered a wide range of public services and municipal utilities, community centres, schools, hospitals, clinics, roads, sanitation systems and water treatment facilities. Expenditure amounted to $49 million. UNDP also provided housing to non-refugee Palestinians in the Gaza Strip.

## E. Coordination of United Nations assistance

58. The Office of the United Nations Special Coordinator for the Middle East Peace Process continued its coordination of United Nations assistance to the Palestinian people and its representation of the United Nations system at donor forums. In 2005, the Office participated in the review and redesign of the local coordination structures and under this framework, assumed new responsibilities as co-chair of the Social Development and Humanitarian Strategy group. It also participated in the December 2005 meeting of the Ad Hoc Liaison Committee on Assistance to the Palestinians, held in London. Locally, the Office convened regular coordination meetings of United Nations agencies and several extraordinary meetings on issues of special policy interest to the United Nations. Throughout the reporting period, the Office served as the focal point for coordination between the United Nations system and the office of the Quartet Special Envoy for Disengagement.

59. In the second half of 2005, the United Nations Office for the Coordination of Humanitarian Affairs led in the preparation of the 2006 consolidated appeals process, under which a total of over $215 million was requested to finance activities for 12 agencies and 9 non-governmental organizations. Prior to the appeal, the Office conducted a needs analysis, that focused on life-saving humanitarian needs such as improving availability of food, emergency employment of vulnerable households, enhancing access to health services and improving the awareness of the root causes of the humanitarian situation.

60. The Government of Japan, through the United Nations Trust Fund for Human Security, started funding a project supporting isolated and disenfranchised communities in the Occupied Palestinian Territory, with a budget of $5.3 million, to be implemented jointly by several United Nations agencies. The Office of the United Nations Special Coordinator for the Middle East Peace Process served as local focal point for the coordination of Trust Fund activities. UNIFEM began supporting training for field researchers involved in the coordination of humanitarian affairs on gender as a research tool, in order to ensure gender sensitization.

61. WHO and FAO chaired the United Nations Crisis Management Team for Avian Influenza that developed a United Nations staff contingency plan.

### Humanitarian access

62. In 2005, ambulance operators reported a total of 162 access incidents in which the provision of first aid and/or medical evacuations was delayed, obstructed and/or prevented by Israeli security forces. Similarly in 2005, relief agencies filed reports of some 778 incidents in which the delivery of aid and/or the movement of personnel were obstructed by Israeli authorities. Access of humanitarian personnel via the Erez crossing remained problematic, and the planned completion of the

Barrier around Jerusalem raised the prospect of problems of access for over 400 United Nations staff in the long term.

**United Nations media and public information activities**

63. United Nations agencies continued to work closely with international and local media to draw attention to and provide information on the situation of the Palestinian people and United Nations responses in the region. The United Nations Advocacy and Public Information Committee coordinated by the United Nations Office for the Coordination of Humanitarian Affairs and the Office of the United Nations Special Coordinator for the Middle East Peace Process highlighted pressing humanitarian issues to the media and provided maps, reports and facts sheets before and during the disengagement period.

**United Nations and the civil society dimension**

64. ESCWA, in partnership with the Arab NGO Network for development, and the Palestinian NGO Network established the Arab-Palestinian Civil Society Organizations Coalition. A regional meeting was held with the participation of major Arab and Palestinian civil society entities and networks.

# IV. Donor response to the crisis

## A. Emergency budget and fiscal support

65. The Palestinian Authority's fiscal deficit widened substantially in 2005. Revenues increased by $278 million to reach over $1.2 billion in 2005, about 27.5 per cent of GDP, mostly reflecting increased indirect tax receipts — collected by the Government of Israel and transferred to the Palestinian Authority — resulting from higher oil prices, as well as exceptional profits transfers from Palestinian Authority-owned corporations and administrative improvements.

66. Expenditures also increased by $466 million to reach almost $2 billion, owing to large salary increases and a further rise in Palestinian Authority employment, to higher social transfers and increased operating expenditures. Net lending increased to over twice the budget allocation, to cover shortfalls in the recovery of higher costs by energy enterprises and municipalities.[8] Consequently, the budget deficit reached $762 million in 2005, or 17 per cent of GDP, compared to $574 million in 2004. Only $349 million in external budget support was received,[9] roughly half of what was foreseen in the budget. The resulting fiscal gap was financed mainly by advances from the Palestine Investment Fund and increased borrowing from domestic banks — often collateralized with assets of the Fund. The fiscal situation is expected to become even more precarious in 2006, particularly as donor assistance and the transfer of indirect tax revenue by the Government of Israel have become uncertain in the wake of the Palestinian Legislative Council elections.

## B. Support for Palestinian reform

67. The Task Force on Palestinian Reform continued to monitor and support the Palestinian reform process in the areas of elections, financial accountability, the judicial sector and rule of law, legislation, market economy, local government and public administration. The Task Force worked with the Palestinian Authority Reform Coordination Support Unit to implement its donor supported one-year reform action plan until the end of 2005, when it was formally wound down and absorbed into a new donor coordination structure under the leadership of the European Commission.

68. Much progress was made with regard to electoral and financial reform, whereas judicial and legislative efforts fell short of expectations. A series of municipal elections and legislative elections were successfully held during the reporting period. Despite improvements with financial management, salaries in the education and security sectors increased and progress on retirements and personnel turnover stalled. As a result, a number of donors began revising their aid to the Palestinian Authority. Continued corruption, lack of will on the part of some politicians and external forces that included stringent Israeli security measures, all served to limit the functional authority of the Palestinian Authority and to stifle the growth and reform of public institutions.

69. While donors remained interested in preserving mechanisms for distributing humanitarian and emergency support, political and legal restrictions for providing institutional support prompted a donor-wide review following the legislative elections. As the new Palestinian Legislative Council took power, efforts were being made to identify certain institutions such as the Judiciary and Presidency in order to facilitate disbursements of donor funds that would be beyond the control of the new Palestinian legislature. The Office of the United Nations Special Coordinator for the Middle East Peace Process led the United Nations community efforts in that effort.

## C. Donor coordination

70. Throughout 2005, the donor community, the Office of the United Nations Special Coordinator for the Middle East Peace Process and the Quartet Special Envoy for Disengagement worked closely to implement the recommendations of the London meeting of 1 March 2005. Local donor coordination structures were significantly revised in order to simplify the aid management process, strengthen the strategic quality of donor discussions, and secure closer involvement of the Palestinian Authority. Four strategy groups were created, to cover governance, economic policy, infrastructure and social development/humanitarian affairs. The future workplan of the groups, and related decisions about the allocation of aid, remained contingent upon the donor programme review initiated in February 2006.

# V. Challenges ahead

71. The overall situation during the reporting period was characterized by uncertainty and failed expectations. It remains to be seen whether the parties will seek to overcome the obstacles that currently exist and explore the possibility of negotiations, or whether other approaches will come to dominate.

72. Despite an apparent stabilization of the economy and growth in private sector activities after 2003, all Palestinians did not benefit comprehensively or equitably. Looking ahead, the numbers of chronically poor are likely to increase, and public institutions to weaken, if major disruptions of aid flows take place. It is not yet clear if the Palestinian Authority will be able to pay the salaries of the approximately 152,000 Palestinians it employs, including 73,000 security personnel. Public sector employees now make up 37 per cent of all employed in Gaza and 14 per cent of all employed in the West Bank. Their spending power in local shops and services plays an increasingly important role in keeping the local economy afloat. An estimated 25 per cent of the total Palestinian population is dependent on a Palestinian Authority wage-earner.

73. The donor community is searching for ways to maintain vital support for the Palestinian people while, at the same time, pressing the Palestinian Authority to accede to the Quartet's three principles, namely a recognition of Israel's right to exist, a renunciation of violence, and the acknowledgement of previous international agreements. While donors remain committed to averting a new socio-economic crisis in the territory, Palestinian Authority institutions are facing a serious fiscal threat, and the prospect of a temporary international disengagement.

74. In operational terms, closures, security restrictions and continued challenges to United Nations privileges and immunities by the Government of Israel are likely to strain implementation of programmes. Agencies, with support from their headquarters, will need to adopt a more robust common approach to access.

## VI. Observations

75. The period under review was one of rapid change in the Occupied Palestinian Territory. Disengagement from Gaza and parts of the West Bank, and the election of new governments in both Israel and the Occupied Palestinian Territory, have transformed the political terrain. Terrorism and violence continued, construction of the Barrier proceeded apace, and restrictions continued on the movement of Palestinians in the wake of the Palestinian legislative elections. Prospects of negotiations between the parties appeared to recede in the early months of 2006.

76. Significant financial support from the international community will be needed in order to avoid further degradations in the quality of life within the Occupied Palestinian Territory, a contraction in the Palestinian economy and an attendant increase in socio-economic and humanitarian needs of the Palestinian population, and to maintain a basis for long-term economic recovery. The Government of Israel, which stated in January 2006 that it would interrupt transfers of the Palestinian value-added taxes and customs taxes it collects on the behalf of the Palestinian Authority, is strongly encouraged to resume payments through an appropriate mechanism. The Palestinian Authority, for its part, should comply with the three conditions of the Quartet. This would also enable the international community to contribute more to the alleviation of the humanitarian and economic situation in the Occupied Palestinian Territory.

77. In that context, the assumption of a transition towards medium- and longer-term development planning, which had underpinned most international aid strategies in 2005, was set aside. Nonetheless, and despite significantly scaled-down planning

time frames, the United Nations system maintained its full commitment to assisting Palestinians, and worked closely with donors to maintain the continuity of its programmes and to preserve, to the extent possible, the essential social functions of the Palestinian Authority.

78. It will be critical in the months ahead that United Nations agencies be able to quickly and adequately address needs through established mechanisms such as the consolidated appeals process, while continuing to pursue the broader aim of the United Nations, the Quartet and the entire international community: the realization of a just, lasting and comprehensive peace in the Middle East, based on Security Council resolutions 242 (1967), 338 (1973), 1397 (2002) and 1515 (2003), and the establishment of a sovereign, democratic, viable and contiguous Palestinian State living side-by-side in peace with a secure Israel.

*Notes*

[1] See S/PRST/2006/6 of 3 February 2006.

[2] World Bank, "West Bank and Gaza Economic Update and Potential Outlook", 15 March 2006.

[3] World Food Programme Vulnerability Analysis and Mapping Branch, "Food insecurity in the West Bank and Gaza Strip 2005-2006".

[4] Graduate Institute for Development Studies (IUED), Public Perception Poll No. 9, as reported in *Palestinian Public Perceptions: Report IX*, October 2005.

[5] The Rafah crossing was closed for 91 days (25 per cent of the year) prior to December 2005 when management of the crossing was formally handed to the PA under the provisions of the Agreement on Movement and Access. This transfer was made possible by the deployment of European Union technical teams to the Rafah crossing on 18 December 2005.

[6] *Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory*. See A/ES-10/273 and Corr.1.

[7] ESCWA input was acknowledged by the Ministry of Planning in the Palestinian Medium-term Development Plan 2006-2008.

[8] This included the need to cover non-payment of utility bills by consumers, increased electricity generation by the Gaza power plant using relatively expensive fuel oil, and subsidies on petroleum product prices.

[9] Direct support came mainly from Arab donors, including Algeria, Kuwait and Saudi Arabia, and from the World Bank-administered public financial management reform trust fund.

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# Summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (New York, 24 April 2006)

## I. Introduction

1. The special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) was held on 24 April 2006. The overall theme of the meeting was "Coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus and the 2005 World Summit Outcome". The meeting had before it a note by the Secretary-General (E/2006/48) that provided background information and raised a number of questions.

2. The 2006 meeting was preceded by extensive consultations within the Economic and Social Council, and between the President and members of the Bureau of the Council and the management of the Bretton Woods institutions, WTO and UNCTAD, as well as by separate meetings with the Executive Boards of the International Monetary Fund (IMF), the World Bank and UNCTAD. The President of the Council also met with the Chairperson of the General Council of WTO. During those meetings, the agenda and the format of the special high-level meeting were discussed and mutually agreed upon.

* A/61/50 and Corr.1.
** E/2006/100.

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3. The consultations resulted in agreement on four sub-themes that were the focus of substantive discussions in four parallel round tables that took place during the meeting. The four sub-themes were: (i) Implementation of and support for national development strategies towards the achievement of the internationally agreed development goals, including the Millennium Development Goals; (ii) Fulfilling the development dimension of the Doha work programme: next steps, including in the area of "Aid for Trade"; (iii) External debt: implementing and building on current initiatives to enhance debt sustainability; and (iv) Supporting the development efforts of middle-income developing countries.

4. The format of the meeting featured a brief opening plenary, including statements by the President of the Economic and Social Council, Ali Hachani; the Secretary-General of the United Nations, Kofi Annan; the Chair of the Development Committee, Alberto Carrasquilla; the President of the Trade and Development Board of UNCTAD, Ransford Smith; the representative of the Chair of the International Monetary and Financial Committee (IMFC), Agustin Carstens; and the Deputy Director-General of WTO, Valentine Rugwabiza. The opening plenary was followed by the round tables, which allowed for a free-flowing discussion among participants. A resumed afternoon plenary was devoted to reporting back on the round-table discussions and to further debate.

5. The co-chairs and lead discussants of the round tables were as follows: (round table A) Maria Luiza Viotti, Director-General of Humanitarian and Social Themes, Ministry of External Relations (Brazil) and Tom Scholar, Executive Director, IMF and World Bank (United Kingdom of Great Britain and Northern Ireland), as co-chairs, with Jeffrey Sachs, Director of the United Nations Millennium Project and Lee Kyu-hyung, Vice Foreign Minister (Republic of Korea), as lead discussants; (round table B) Eckhard Deutscher, Executive Director, World Bank (Germany) and Ransford Smith, President, UNCTAD Trade and Development Board, as co-chairs, with Bruce Montador, Vice-President, Canadian International Development Agency and Mia Horn Af Rantzien, Chairperson of the WTO Aid for Trade Task Force, as lead discussants; (round table C) Sri Mulyani, Minister of Finance (Indonesia) and Willy Kiekens, Senior Executive Director, IMF, as co-chairs, with Richard Manning, Chair of the Development Assistance Committee, Organization for Economic Cooperation and Development (OECD) and Dirk Bruinsma, Deputy Secretary-General, UNCTAD, as lead discussants; (round table D) Mohamed Nouri Jouini, Minister of Development and International Cooperation (Tunisia) and Leire Pajin, Vice-Minister, Secretary of State for International Cooperation (Spain), as co-chairs, with José Antonio Ocampo, Under-Secretary-General for Economic and Social Affairs, United Nations Secretariat, and Agustin Carstens, Deputy Managing Director, IMF, as lead discussants.

6. This year's meeting had a record number of participating executive and alternate directors of the Boards of the World Bank and of IMF. Other participants included ministers and vice-ministers of finance, foreign affairs and development cooperation and heads of international organizations, as well as high-level officials in the areas of trade, finance, development cooperation and foreign affairs (see E/2006/INF/1). Representatives of non-governmental organizations and the private sector also participated in the plenary meetings and round tables.

7. What follows is a summary of the salient issues discussed in the morning and afternoon plenary meetings and in the round tables. The summary reflects

observations, analyses, initiatives and recommendations put forward by participants in the course of the meeting. Several of them refer to possible themes that might be addressed by the Economic and Social Council in the future. In my concluding remarks, I suggested to start exploring how to enhance the impact of the dialogue and proposed to initiate consultations with all stakeholders in that regard. The summary is structured largely on the basis of the sub-themes mentioned above.

## II. The global landscape and development cooperation

8. In the view of several participants, 2005-2006 was shaping up as a positive period for development. The world economy and all developing regions were growing; after the adoption of the Monterrey Consensus,[1] aid was on the increase; official debt relief was reducing debt servicing in a significant number of highly indebted countries; concrete progress in new and innovative sources of finance was taking place; and private flows to developing countries were expanding. Yet, the risks posed by the large and still growing global imbalances and the likelihood that a substantial number of countries would not reach the Millennium Development Goals persisted. While some countries were on track to reach those Goals, in many countries — particularly in Africa and Latin America — progress was still insufficient. Moreover, several speakers stressed that in contrast to the favourable developments in the financial area, advances in the international trade negotiations had been negligible.

9. A number of participants pointed out that 2005 had been a milestone year for the global partnership for development: the G-8 Summit at Gleneagles had agreed to a comprehensive package to support faster progress in Africa towards achieving the Millennium Development Goals; at the High-level Forum on Joint Progress towards Enhanced Aid Effectiveness in Paris, developed and developing countries had agreed to enhance aid effectiveness and reaffirmed their commitments to harmonize and align aid delivery; and the World Summit in New York had paid critical attention to development together with peace and security, human rights and reform of the United Nations. As a result, the process of implementing the international development agenda had taken a significant step forward.

10. Several speakers noted the gradual convergence of development cooperation institutions on the pursuit of internationally agreed development goals. It was essential to preserve and continue to build on that approach. It was particularly important to enhance coherence among those organizations that played a key role in assisting countries to achieve the Millennium Development Goals. According to numerous speakers, the danger that a substantial number of countries would not achieve the Goals by 2015 existed. Thus, stronger efforts were required by national authorities in recipient countries, by donors and by international organizations to ensure that policies and concrete measures as well as sufficient financial resources were in place.

11. Some representatives emphasized the role of the private sector as an engine of growth and development. Its full participation in the development process, as well

[1] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

as that of civil society at large, was key to sustained economic growth and sustainable development. Indeed, the issue of participation by the country's citizens at all levels was important to achieve a widespread sense of ownership.

12. A number of speakers stressed that it was important that the membership of international organizations be representative of today's realities. They were encouraged that agreement had been reached in the International Monetary and Financial Committee to consider, at the annual meetings this autumn, concrete proposals to improve the distribution of IMF quotas to reflect significant changes in the weight and role of countries in the world economy. Several participants expressed the hope that other intergovernmental bodies would also consider the issue of voice and representation to render their own boards in tune with present realities. Such a measure would certainly strengthen development cooperation.

## III. Implementation of and support for national development strategies towards the achievement of the internationally agreed development goals, including the Millennium Development Goals

13. Many discussants stated that truly owned national development strategies were the launching pad for development efforts, adding that such strategies should reflect the conditions in the respective country. In designing the national development strategy, it was crucial for policymakers to identify major roadblocks to development and the actions needed to remove them. In this context, room for manoeuvre and, hence, actual policy space were a key factor. It was also important to use a bottom-up approach so that all development actors participated in its implementation. Various participants presented a brief assessment of their own country's experience and concluded that in the long run human resource development was the central factor in economic and social progress. A number of representatives stressed that the strategy should cover all key areas and identify priorities along the internationally agreed development goals, including the Millennium Development Goals. Yet, some participants emphasized that the strategy should look far beyond the Goals. It was noted that objectives such as increasing employment and enhancing social cohesion should be a priority, since those two objectives were important per se and also were key to achieving other critical goals.

14. A successful implementation of the national development strategy, according to several discussants, required action on various fronts as envisaged in the Monterrey Consensus: sound macroeconomic framework to mobilize domestic resources and attract capital from abroad; good governance accompanied by the political will of authorities to take the actions and pursue the policies explicit in the strategy; involvement by different sectors of society; a fiscal budget that reflects priorities and measures envisaged in the strategy; secure international development financing, including alignment of donors' support with the priorities of the recipient country; and an overall "enabling" international environment, involving measures in the areas of trade and financial systems.

15. The danger of a proliferation of documents existed, according to some representatives. At the 2005 World Summit, Member States had resolved to adopt, by 2006, and implement comprehensive national development strategies to achieve

the internationally agreed development goals and objectives, including the Millennium Development Goals. Yet, there was no need for every country to develop brand new strategies. Countries could build on the existing national strategies, with the Goals being integrated in them. In this context, a number of participants expressed their support for the memorandum of understanding between the United Nations Development Group (UNDG) and the World Bank on incorporation of the Millennium Development Goals into the Poverty Reduction Strategy Papers (PRSPs).

16. Some discussants stressed the importance of result-oriented strategies. That required paying special attention to the country's implementation capacities and, hence, to technical assistance requirements. Along with sufficient funding, technical assistance to increase absorptive capacity was key to ensuring a more effective and efficient use of resources. It was noted that IMF, by working with finance ministers of donor countries, should be more proactive and play a more important role in helping to secure international development financing and in advising on how to close the possible financial gap in the national development strategy.

17. In the view of a number of representatives, the Economic and Social Council should become more effective in engaging counterparts dealing with finance and trade. A question was raised about a possible role of a reformed Council in fostering national development strategies. Some participants pointed out that the Council should promote cooperation between different stakeholders involved in the implementation of national development strategies. The Council could also play a more active role in reviewing and assessing implementation of agreed goals and commitments. Speakers noted that the new functions of the Economic and Social Council could play an important role to that end.

18. There was convergence of views that an increase in the volume, quality and effectiveness of aid was necessary. Despite the recent increases in official development assistance (ODA), several speakers stressed that substantial scaling-up was still needed. Actual disbursements by most donors were still below the 0.7 per cent target. Several discussants indicated that, where possible, it was important to shift from off-budget funding to through-budget funding. It was noted that the stability of aid flows was important and that multi-year funding could enhance the predictability of aid, thus facilitating a smoother implementation of the national development strategy. Regarding effectiveness, a number of participants emphasized that the Paris Declaration on Aid Effectiveness should be expeditiously implemented.

19. Some speakers felt that the Development Assistance Committee (DAC)/OECD, the United Nations and the World Bank should address the issue of herding of aid, which was going to be analysed next year in the Global Monitoring Report. It was also noted that in some donor countries the flow of aid from private sources — foundations, non-governmental organizations, private remittances — was not only increasing, but even exceeded ODA. Thus, it was suggested that given the importance of a continuing expansion of aid from private sources, the Economic and Social Council could play a role in that regard.

20. A large number of participants also pointed out the progress achieved in innovative sources of financing. It was a welcome development, particularly since financing from such sources would be additional to official flows through more traditional channels and might also be more stable. Many speakers expressed

support for continuing work on innovative sources of finance, including the expansion of pilot projects such as the air-ticket solidarity contribution and the International Financial Facility for Immunization. In that context, various representatives highlighted the importance of the recent conference held in Paris on that subject and the formation of the Leading Group on Solidarity Levies to Fund Development. The decision of the 2005 World Summit to operationalize the World Solidarity Fund established by the General Assembly was also welcomed.

## IV. Fulfilling the development dimension of the Doha work programme: next steps, including in the area of "Aid for Trade"

21. Many participants reiterated that trade was an engine of growth. Trade liberalization as conceived in the Doha Development Agenda would benefit developing countries much more than aid. Most of the gains for developing countries would come from increased trade in agriculture. That would lift the lives of millions of poor who live in rural areas. Expanded market access for developing countries in agriculture as well as in manufacturing and services — particularly transitory movement of natural persons — was key to rapid increases in exports of developing countries. That would accelerate development and facilitate the achievement of the Millennium Development Goals. Several speakers stressed that international trade should be mainstreamed in the country's national development strategy, paying special attention to the role of the private sector since private entrepreneurs were usually the most dynamic agents in international trade. Some discussants noted the need for agreements and rules of the game on international trade that provided enough policy space to developing countries, in particular more vulnerable countries or countries with serious structural problems such as the least developed countries, landlocked developing countries and small island developing States.

22. In the view of several speakers, while the WTO Hong Kong Ministerial Conference in December 2005 had set ambitious deadlines, little progress had taken place in negotiations of the Doha Development Agenda. Unless major strides were achieved soon there was the possibility of failure, they added. It was critical that a judicious agreement in the international trade negotiations was achieved in the next few months since the Trade Promotion Authority in the United States was due to expire in the first half of 2007 and protectionist pressures were on the increase in a number of countries. The costs of failing to reach agreement would be high: developing countries would lose a major opportunity to open world markets for their exports and to redress imbalances in global trade relations; all countries would suffer as a result of a weakened WTO; and bilateralism would supplant multilateralism.

23. Notwithstanding, a large number of participants were of the view that with a great deal of work and political will a meaningful agreement on the Doha Development Agenda could be reached. According to many of them, the agreement should include substantial figures for reducing trade-distorting subsidies and an equivalent package on market access. Also, decisive progress was needed in anti-dumping and major advances were necessary in special and differential treatment. Indeed, only a decisive step in special and differential treatment would mean that

development — and not exclusively liberalization — was a key objective of the current multilateral trade negotiations. Several speakers noted that in a few elements of the Doha Development Agenda some progress had already taken place. At the WTO Ministerial Conference in Hong Kong, countries had agreed on the elimination of all export subsidies on cotton by the end of 2006, and there was an agreement to offer least developed countries (LDCs) duty-free and quota-free market access to 97 per cent of their products.

24. A number of representatives also pointed out that at the WTO Ministerial Conference in Hong Kong, "Aid for Trade" had been given official recognition as a key instrument for facilitating a smooth integration of developing countries into the international trade system. A task force on how to operationalize "Aid for Trade" among WTO members had been established and was already functioning well. "Aid for Trade" was a critical part in the development equation, according to numerous discussants. Many developing countries needed to enhance significantly their trade-related capacity and infrastructure to benefit from trade liberalization. Thus, it was stressed that "Aid for Trade" was not a substitute for fulfilling the Doha Development Agenda but a necessary and valuable component. It involved several elements or dimensions: technical assistance regarding knowledge of trade opportunities and how to benefit from them, including domestic regulation and policy; institutional capacity-building, particularly enhancing the customs system; infrastructure, including roads, ports and telecommunications; adjustment assistance to cope with transition costs such as preference erosion or higher agricultural prices. In this context, a number of participants emphasized that the focus of "Aid for Trade" should be development rather than market liberalization, and that paying special attention to supply capacities in recipient countries should be at the core of the initiative.

25. Some representatives stated that "Aid for Trade" should be built on the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries, and that it should be tailored to the country's stage of development. A number of speakers pointed out that the financing of "Aid for Trade" should be additional, should involve no conditionalities and should be preferably in the form of grants. Also, efforts should be made to identify good practices and integrate "Aid for Trade" into the PRSPs. It was noted that three aspects required special attention when considering "Aid for Trade" in any individual country: the potential of medium-size enterprises; industrial clusters; and private sector involvement.

## V. External debt: implementing and building on current initiatives to enhance debt sustainability

26. Many participants focused on debt sustainability. They stressed that developing countries needed sustainable debt levels to be able to make progress on the internationally agreed development goals, including the Millennium Development Goals. Debt relief had been extended to many countries, yet there was still a substantial number of highly indebted developing countries whose debts were not sustainable. Strengthened international efforts were, therefore, needed to consider and implement some form of debt restructuring or debt relief for such countries. Also, for numerous speakers, financing of debt relief efforts should be additional to already existing ODA commitments. There were convergent views

regarding the current benign environment in international capital markets. Notwithstanding, it was stressed that low spreads and ample access to capital should not lead to complacency, since the situation could reverse abruptly.

27. Several discussants pointed out that an unsustainable debt burden often arose as a result of borrowing on inappropriate terms or for inappropriate purposes. Thus, prudent management of debt flows was seen as critical. Some representatives highlighted the important contribution that the Bretton Woods institutions, and particularly UNCTAD with its programme for debt management capacity-building, were making in that field. In the view of some participants, debt-servicing problems could, on many occasions, be treated as a symptom and not as a cause of economic malaise. In that case, the emphasis should be put on policies conducive to sustained economic growth and good governance, including improvements in tax administration and tax collection. Yet, it was important to keep in mind that debt sustainability changed over time depending on countries' economic and political circumstances. It was noted that under current conditions a number of developing countries were accumulating reserves as a cautionary measure: avoiding debt-servicing problems in the future. That was proving costly as reserves were not being used for productive purposes. Some speakers stressed that debtors and creditors should share joint responsibility in working within a coherent and cooperative approach towards a more equitable and fair international financing architecture.

28. A number of participants stated that the provision of resources for the Multilateral Debt Relief Initiative (MDRI) and recent actions by the Bretton Woods institutions to implement that initiative were important steps to support poor countries to attain the Millennium Development Goals. Some speakers expressed concern for potentially adverse market responses to debt relief such as worse credit ratings and less access to finance, while others called for extending MDRI to other countries, including the involvement of additional multilateral development institutions. Several discussants called attention to the moral hazard, whereby countries with prudent debt management practices might be excluded from debt relief initiatives. Moreover, the fact that non-concessional lenders could emerge as free riders as a result of MDRI caused some unease among official lenders.

29. It was stressed that countries benefiting from MDRI should be vigilant in order to refrain from building excessive debts. Indeed, in order to avoid unsustainable debt burdens, grant financing and highly concessional borrowing had to be made available to developing countries, in particular those that were vulnerable to external shocks. It was noted that some of the highly indebted countries could use flexible mechanisms in the form of debt swaps for Millennium Development Goal projects which would not only reduce the debt burden but would also facilitate the achievement of the Goals. Several speakers expressed concern that MDRI might direct resources to a few selected countries. Debt relief for some comparatively large countries tended to distort aid numbers. The eventual role of emerging market donors was also highlighted. Some participants suggested taking up that issue as one of the agenda items of the newly established Development Cooperation Forum of the Economic and Social Council.

30. A number of representatives emphasized that the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative could help low-income countries to raise their standing in world markets. However, it was noted that the design of the HIPC Initiative, its transparency and the information on implementation modalities

had to be improved for the private sector to adequately price risk and consider new investments. Some participants also noted that existing frameworks to deal with debt problems of middle-income countries were insufficient; for example, the Evian Approach did not distinguish between solvency and liquidity, and concentrated exclusively on debt restructuring without considering debt relief. New debt instruments, according to some speakers, could be used to reduce the probability of future problems: the developments of domestic currency bond markets in borrowing countries could provide a cushion against the adverse effects of the reversal of capital flows and banking crises; and issuance of gross domestic product (GDP)-indexed bonds — which implied a bond with an interest coupon directly linked to the rate of GDP growth of the issuing country — could alleviate payments in difficult times.

## VI. Supporting the development efforts of middle-income developing countries

31. Several speakers pointed out that a substantial number of middle-income countries had problems that were similar to those of low-income countries: pockets of urban and rural poverty; unemployment and underemployment; inequality and gaps in the provision of essential social services; and a large external debt. At the same time, middle-income countries were vulnerable to external financial shocks leading to macroeconomic instability and, on some occasions, to full-blown balance-of-payments crises. It was noted that significant differences existed among those countries regarding population levels, economic size, geography and stage of development. Therefore, their problems had to be assessed on a case-by-case basis and development cooperation should focus on each country's specificities.

32. Several representatives observed that in many quarters there was unease because of the persistence of serious socio-economic problems in some of those countries. Their economic growth in the last few decades had been precarious and they had achieved little or no progress towards increased equity. In the view of a number of participants, it was necessary to develop international support instruments to address such problems. The needs of all middle-income countries, including particularly the lower middle-income countries, had to be taken fully into account in the process. It was stressed that the United Nations, the Bretton Woods institutions and bilateral donors had an important role to play in the development of those support instruments. There was also an important role for the development banks, particularly the regional development banks, to support the development of financing mechanisms better targeted to middle-income countries.

33. Some discussants pointed to the crucial role of measures to enhance macroeconomic stability in middle-income countries since instability in the past had led to quite high social and economic costs. Such measures, they said, should focus on reducing risks and increasing space for counter-cyclical policies. Also, a number of participants remarked that international financial facilities to provide timely and adequate support during times of economic distress were essential. It was noted that mechanisms for pooling of reserves also needed further development. Some representatives observed that non-financial assistance to middle-income developing countries in the form of technical cooperation, including capacity-building, was also important, particularly in such areas as social protection and governance.

34. Several speakers said that a number of middle-income countries were experiencing high economic growth, and their weight in the world economy had risen considerably. Thus, there was a need to strengthen the voice and representation of those countries in the international financial institutions. Some discussants pointed out that in addition to strengthening their representation on the boards of those institutions, middle-income countries should also be equitably represented at the management level.

35. Numerous participants emphasized the need for special international financial support to target the poor within middle-income developing countries. What was required, according to those participants, was a programme under which finance could be obtained for specific social projects. Furthermore, there was a need to develop subnational financial instruments or mechanisms that could help to assist poorer regions within middle-income countries.

36. In the view of many representatives, policies to facilitate the development of the private sector were important for reducing poverty. In particular, there was a need for an enabling business environment, including good governance and sound legal and regulatory mechanisms that fostered transparency and the creation of new enterprises. The latter was a critical factor in providing productive employment. Numerous speakers stressed the importance of enhancing the mobilization of private capital to finance infrastructure projects of middle-income countries. International organizations, particularly multilateral development banks, could help to leverage private finance into that field. It was noted that, provided strong regulatory frameworks were in place, public-private partnerships could make a significant contribution. Also, the development of capital markets in middle-income countries had an enormous potential in the medium to long term to mobilize and attract private capital.

37. A number of representatives welcomed the forthcoming conference on international support for development of middle-income countries organized by the Government of Spain in cooperation with the United Nations. They looked forward to making progress on the issues discussed above. According to various participants, the conference would also be an opportunity to share successful experiences, including in technology transfer and South-South cooperation.

38. Indeed, in the view of several speakers, South-South cooperation in trade, finance and technology development needed strengthening. It was noted that common science and technology systems could be developed to facilitate technology transfer and upgrading. There were also calls upon developed countries to enhance their assistance to South-South cooperation and to expand their support for triangular cooperation.